FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,086 Tuesday May 31 1983 D 8523 B

Economic summit: text of final communiqué, Page 6

NEWS SUMMARY

GENERAL

Ireland's leaders divided at Forum

Ireland's Premier Dr Garret FitzGerald and Opposition leader Charles Haughey were sharply divided in the opening session in Dublin of the New Ireland Forum, which is intended to produce a consensus on political structures for a united Ireland.

Mr Haughey called for complete political and military withdrawal from Northern Ireland by Britain, to which Dr FitzGerald reacted frostily. Page 20

In Londonderry, Martin McGuinness, Sinn Fein candidate in the British election, was arrested.

James Downey, named by British police in connection with an alleged plot to kill British politicians, was seen in County Donegal, in the Republic of Ireland.

Israelis killed

Two Israeli soldiers were killed and three wounded in a Palestinian guerrilla ambush in Lebanon. Page 2

UK presses on lead

Britain is to press its EEC partners to speed progress on banning the use of lead in petrol.

Plea to Turkey

European Parliament asked Turkish President General Kenan Evren to commute 44 death sentences passed last week, 35 against Kurds.

Turkey-Iraq deal

Turkey and Iraq have agreed to allow other's troops to cross the border in pursuit of Kurdish rebels.

Barth breaks down

Former U.S. officer Heinz Barth, 62, on trial in East Berlin for war crimes in France, broke down several times and wept as he confessed to helping line up villagers and shooting them in the Oradour massacre in World War II.

Rhine at highest

The Rhine is at its highest level for 35 years. Floods and mudslips have killed seven people in the Rhineland.

E. German expulsions

East Germany has expelled six more peace activists, who were centred on Jena.

Greek banks hit

Greek banks shut yesterday when workers protested against a move to restrict the right to strike in the public sector. Stoppages are planned for today and tomorrow. Other protests are planned against transport, hospitals, power, telecommunications and ports.

S. African ruling

South Africa's Appeal Court went against government "influx control" policy by ruling that migrants who have worked for the same employer for 10 years gain the right of permanent residence in towns.

D-Marx

West Germany is to issue DM 5 coins next month to commemorate the 100th anniversary of the death of Karl Marx, who was born in Trier.

Briefly . . .

Iceland: Volcano began erupting under Vatnajökull glacier.

Denmark: Thieves stole 55 antique medals and coins from Frederiksborg Castle.

Muiden, Netherlands: Three workers were killed by a blast at an explosives factory.

Peking temperatures reached 36.8C (100.9F) in the city's hottest May for 15 years.

BUSINESS

Japan's surplus $2.4bn in April

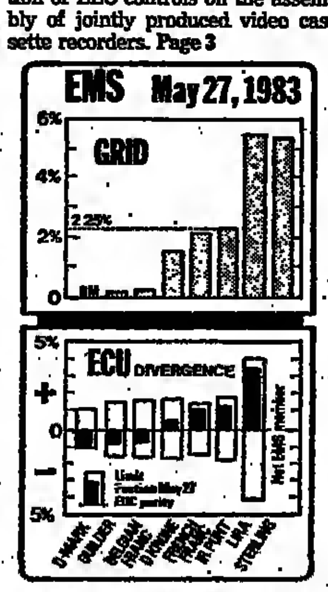
● JAPAN achieved an April current-account surplus of $2.3bn, second only to the March 1978 figure, $2.4bn. Page 3

● LONDON, WALL STREET: Exchanges closed, holiday.

● TOKYO: Nikkei Dow index gained 29.45 from Saturday's session at 8,622.35. Stock Exchange index was 2.78 ahead at 638.11. Report, leading prices, other exchanges, Page 29

● AUSTRALIA'S Labor Government is setting up an inquiry into the country's financial system. Page 22

● JAPANESE and European companies are campaigning for relaxation of EEC controls on the assembly of jointly produced video cassette recorders. Page 3



● CURRENCIES showed little overall change within the European Monetary System last week. Attention remained focused on the strength of the U.S. dollar and diminishing hopes of an early cut in U.S. interest rates.

The French franc touched a record low against the dollar while the D-Mark retreated to levels ont seen since December last year. The Italian lira was also weak, hovering close to a record low.

Within the system the Dutch guilder weakened after a loss of confidence after the last realignment, and was trading at its lower intervention point against the French franc. That gave rise to speculation that the Dutch central bank might have to lend support through direct intervention in the foreign exchange market and higher guilder deposit rates.

The chart shows the two constraints on European Monetary System exchange rates: The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● SAUDI ARABIA, Qatar, the United Arab Emirates, and Oman are to increase import duties from September 1.

● BRITAIN and Switzerland signed an agreement in principle to accept each other's certificates covering trade standards. Page 3

● INDONESIA has announced postponement or rescheduling of $5bn worth of projects to save outlay of foreign currency.

● EAST GERMANY is ready to talk to West Germany on increased currency requirements for West Germans entering East Germany.

● CHINA is to buy millions of dollars' worth of milk powder from New Zealand.

Wall St prices

Friday's closing Wall Street prices, usually carried in our Monday edition, are not included in this issue because of public holidays yesterday in the U.S. and Britain. Wall Street and the London Stock Exchange were closed yesterday.

Agreement at Williamsburg to promote exchange rate stability and non-inflationary growth

Summit nations aim for closer economic policies

BY REGINALD DALE, U.S. EDITOR, IN WILLIAMSBURG

THE WILLIAMSBURG summit ended yesterday with a public display of Western unity in which the seven leading industrialised nations agreed to work for tighter convergence of their economic policies to promote greater exchange rate stability and non-inflationary world economic growth.

The generally bland concluding statement from the two-day summit gave President Ronald Reagan much of what he had hoped for but fell short of French demands for a big review of the international monetary system and a more ordered regime of exchange rates.

In a last-minute concession to the French, however, the other countries agreed to consider the possibility at some future date of a world monetary conference, as called for by President François Mitterrand.

The heads of government said they had "invited ministers of finance, in consultation with the managing director of the International Monetary Fund, to define the conditions for improving the international monetary system and to consider the part which might, in due course, be played in this process by a high-level international monetary conference."

The concession, considered largely cosmetic by most of the other participants, was nevertheless interpreted by the French as vindicating M Mitterrand's stand.

As the conference opened on Saturday evening, M Mitterrand had compromised by dropping his original reference to a "new Bretton Woods" meeting, which he said had been misunderstood as implying a return to fixed exchange rates.

Mrs Margaret Thatcher, the British Prime Minister – who left early to continue her general election campaign – interpreted the summit's deliberations as a clear endorsement of her economic policies and her overall leadership.

Most of the summit's prescriptions were for more of the same, whether on efforts to control inflation, intensify economic and monetary consultations, or rescue indebted developing countries.

The summit statements nevertheless concealed persistent divergences over U.S. domestic economic policies – particularly on interest rates and budget deficits – as well as on the management of exchange rates and Mr Reagan's apparent efforts to turn the annual economic summit into a forum for consultations on East-West economic and security policies.

A joint statement reaffirming the West's commitment to arms reductions from a position of military strength was agreed only after strenuous French and Canadian objections to such an initiative had been overcome.

The summit, however, avoided a major ideological clash over the overall Western approach to the Soviet Union, such as that which embittered last year's Versailles summit and its aftermath.

The main thrust of the summit's work on economic convergence was contained in a separate working paper in which the finance ministers agreed to strengthen the five-nation "surveillance" procedures first agreed at Versailles.

White House officials maintained that the other participants had shown "understanding" of U.S. budgetary and interest rate problems and Mr Reagan's plan to reduce budget deficits by spending cuts and economic growth.

Mrs Thatcher, while expressing her concern, was generally sympathetic to Mr Reagan's predicament. The other leaders, however, launched strong attacks on the continuing high level of U.S. interest rates, which they linked directly to the size of the deficits – a link that was again rejected by Mr Donald Regan, the U.S. Treasury Secretary.

The U.S. nevertheless found little difficulty in accepting the commitment in the final statement to reduce structural budget deficits and interest rates from their present level.

M Jacques Delors, the French Finance Minister, said the debate on interest rates had been heated, with all the other countries uniting in their onslaught on Mr Reagan, who responded in a sharp and lively manner.

The main theme drummed home by the French, however, was the danger posed to the world monetary system by the continuing rise of an overvalued dollar as e reserve or "reference" currency dominating international transactions.

The summit expressed willingness "to undertake co-ordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful."

The summit leaders repeated their commitment to halting protectionism and paying greater attention to the link between monetary, trade, ecoonmic and financial policies. They rejected, however, U.S. attempts to establish more regular joint meetings of trade and finance ministers along the lines of the gathering held at U.S. invitation during the meeting in Paris earlier this month of the Organisation for Economic Co-operation and Development.

Defence policies provide fuel for attack, arms statement, UK opposition's attack, Page 2: text of final communiqué, Page 6

Monetary and fiscal plans to be monitored

BY MAX WILKINSON IN WILLIAMSBURG

THE FINANCE ministers nf the seven summit countries yesterday egreed at Williamsburg an important and detailed statement on the principles that should guide economic policy in the interests of better exchange-rate stability. The main theme, endorsed by the heads of governmeot, was that the countries should co-operate in a regular medium-term review of their fiscal and monetary policies.

That follows the concept of the British medium-term financial strategy, although it will not be as detailed, nor tie nations down to particular figures.

The main forum for future discussinns will be an extension of the surveillance procedures for the five leading countries established at the Versailles summit a year agn.

Since then, there have been three meetings of the finance ministers of the SDR (special drawing rights) countries – the U.S., the UK, France, West Germany and Japan – with the managing director of the International Monetary Fund to compare general economic policies.

It was decided yesterday that this process should become more formalised and perhaps more regular.

The agreement reflects the recognitinn amnng heads of government nf a shift of focus nf policy towards the levels of exchange rates and their effects on trade and financial flows when rates are "misaligned."

The emphasis continues to be nn the need for convergence of economic policies rather than nn direct intervention in the foreign exchange markets. However, the guidelines on which policies shnuld converge have now been made more explicit.

The statement agreed by finance ministers included a clause aimed particularly at the U.S., underlining the need to consider the effects of domestic policies on other countries.

The main charter for future policies has four headings:

Monetary policy. Growth of monetary aggregates should be disciplined and nnn-inflationary. Interest rates should be appropriate to avoid future inflation.

Fiscal policy. The governments are pledged to "discipline over government expenditure, particularly transfer payments," and to reduce "structural budget deficits."

Exchange rates. Consultations are to be improved with policy con-

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Chevènement criticises Paris policy on franc

BY DAVID HOUSEGO IN PARIS

M JEAN-PIERRE CHEVÈNEMENT, the former French Minister of Industry, embarrassed his Socialist colleagues at the weekend by claiming that France could not avoid a further devaluation of the franc.

Directly attacking the stabilisation measures announced in March, M Chevènement predicted an increase in unemployment and added that in view of the difference between France and West Germany's inflatinn rate, "the only issue is to know when the next readjustment will take place."

M Chevènement, who leads the Ceres faction on the left of the party, told a Socialist convention that the Government's policy would not succeed and that it was not Socialist. He delivered an indirect rebuff to President Mitterrand in saying that although the government had only one policy, that did not prevent the Socialist party from having two.

In an effort to quell speculation of divisions within the government over the issues of protectionism and withdrawal from the EMS, President Mitterrand said a fortnight ago that there was only one policy within the government. He repeated then his support for the measures taken by M Jacques Delors, the Finance Minister, and M Pierre Mauroy, the Prime Minister.

M. Chevènement: 'devaluation inevitable'

M Chevènement said that the deflation of demand would only result in a fall in investment. In a key passage in his speech he sketched out the alternative policy favoured by some radicals in the party.

"Without leaving the EMS," be said, "we can renegotiate our participatioo in it like the pound sterling, carry out more frequent readjustments, avoid incurring short-term debt, reduce the supply of goods from abroad while providing a stimulus for domestic production . . ."

M Chevènement and his supporters found themselves very much in the minority at the convenbon and were criticised for disloyalty to the party. But by speaking out now, he hopes to strengthen his position at the party Congress in the autumn should the austerity measures be seen to have failed.

A danger for the government is that his remarks will encourage the Communists to sharpen their criticisms

Among those who rallied to the government's defence against M Chevènement was M Edmond Maire, the leader of the pro-Socialist CFDT union. He said there were Frenchmen who made the government the scapegoat for the country's difficulties and intellectuals who took a morose satisfaction in their disappointment.

Sterling and $ continue to strengthen

By Jeremy Stone in London

EUROPEAN foreign-exchange markets yesterday were unimpressed by early indications from the economic summit at Williamsburg, where leading nations were reported to have agreed that concerted intervention in currency markets might be appropriate in some circumstances. The dollar and sterling continued to rise in the face of some central-bank intervention.

Foreign-exchange dealers were disappointed at the apparent lack of substantial results emerging from Williamsburg, althougb little bad been expected.

Although public holidays in the U.S. and UK meant that trading in continental markets was thinner

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Spain to buy 72 U.S. jet fighters

BY DAVID WHITE IN MADRID

SR FELIPE GONZÁLEZ, the Spanish Prime Minister, yesterday announced that Spain would buy 72 U.S. McDonnell-Douglas F/A-18 Hornet fighters for its air force. The total value of the deal is estimated at about $2.5bn.

The decision finally eliminates the European Tornado multi-role combat aircraft from what would have been its first export breakthrough outside the countries participating in its manufacture – Britain, West Germany and Italy.

The Socialist Government has retained the nriginal option chosen by the previous Spanish administration last July, but will reduce the initial purchase from 84 to 72 aircraft.

Sr González said the Government had opted to reduce the purchase to give itself greater flexibility and to obtain savings on budget expenditure of about Pta 50hn ($360m).

The possibility of increasing the number of aircraft later is left open.

Althougb the choice of the U.S. aircraft reflects the clear preference of the Spanish air fnrce, which concluded that the F/A-18 fitted its multi-role requirements better than the Tornado, the reductioo by a full squadron is a hlow to military demands.

The final purchase involves only half the 144 aircraft which were foreseen wben studies on the next generation of fighters for the Spanish air force were started five years ago.

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ICI in £10m science venture

BY DAVID FISHLOCK, SCIENCE EDITOR, IN LONDON

THE BOARD of ICI, Britain's chief chemical company, has embarked on a big new venture to unearth or invent novel chemicals for the electronics industry, with the ainn of taking a significant share in that industry's profits.

The company is committing £10m ($16m) initially to a three-year experiment, with a commercial goal of creating a new £100m speciality chemicals business by the end of the decade.

The new business venture, called the Electronics Group, is independent of ICI's operating divisions. It reports to Dr Charles Reece, main board director, for research and technology.

Dr Reece says that initially the main markets will be Japan and the U.S., where the company is already discussing collaborations with electronics companies to invent the chemicals needed for big advances in electronics and information technology.

The electronics group does not include an estimated £30m business ICI is already doing with the electronics industry. This is chiefly in recording tapes, solvents and solder masks, where the company competes mainly on price.

ICI puts the present world market for chemicals in electronics – a high growth industry – at £5bn.

According to McGraw Hill's trade journal, Chemical Week, the speciality chemicals needed by the industry can cost as much as £1,000 a gallon.

The market has already attracted such names as Allied Chemical, Dupont, Eastman Kodak, Hoechst and Union Carbide. But ICI believes that, as yet, no one has a very large electronics chemical business.

Dr Reece says the aim of the new venture will be "to advance technology by a big factor – not to compete on price." It means close collaboration with a customer to identify markets, he says.

Dr Reece believes the best opportunities lie at the man-machine interface: visual displays and print-outs, for example. But he describes the industry as "highly fragmented and very fast moving," with life cycles for the final product as brief as three years.

The entrepreneur ICI has chosen for its new business venture is Mr John Mellersh, formerly responsible for finding new business for ICI's organics division. The electronics group has set up office this month at Runcorn Heath, with a staff of 40.

Mr Mellersh says his group has access through an ICI data bank to 400,000 novel chemicals discovered by ICI scientists but never commercialised.

CONTENTS

Defence policies provide fuel for political dispute

BY REGINALD DALE, U.S. EDITOR, IN WILLIAMSBURG

DEFENCE and arms control policies provided an unexpected centre piece for the Williamsburg summit's major political dispute. It was not that the seven leaders disagreed much about the fundamental issues. The row was over whether, and if so, how and when, to record an agreement.

The U.S. felt that the summit should respond to Friday's "threatening statement" by the Soviet Union that it might deploy missiles closer to the West if deployment of new American cruise and Pershing II missiles went ahead in Western Europe.

For the French, in particular, the injection of defence policy into an economic summit—at Anglo Saxon behest—raised profound questions about the way that the Western alliance should be run and its leading institutions organised.

After a long day of drawn out discussions and fraying tempers, the seven participants finally delivered a joint statement on Sunday evening—seven hours after Mr George Shultz, the U.S. Secretary of State, had originally been due to read it out.

The statement pledged the summit countries to maintain military strength while pursuing arms reductions negotiations with the Soviet Union with "impetus and urgency." It warned Moscow that it could not divide the West "by seeking to influence public opinion" or trying to include the British and French strategic deterrents in the Geneva negotiations on intermediate range nuclear forces (INF).

While these sentiments were far from new, President Reagan wanted the commitment to strengthen his hand both with the Soviet Union and with U.S. domestic opinion. The summit reaffirmed the deployment plan in a response that was welcomed as "very strong" by Mr Shultz.

Mrs Margaret Thatcher, the British Prime Minister, thought that the statement could be useful for her election campaign, emphasising as it did the West's commitment to arms reductions alongside its determination to defend peace and freedom.

For hours the French dug in their heels. The summit was meant to be economic and should not try to issue guidance to other negotiating bodies or endorse individual countries' positions (like that of the U.S. in Geneva). No such statement had been planned, and the Americans had promised not to produce pre-drafted communiques for approval in Williamsburg, they argued. President Francois Mitterrand was already smarting at Sunday's French press report that he had caved in on his "new Bretton Woods" proposal on Saturday evening, and he was in no mood to kow tow further to the Americans.

More importantly, the French thought that Mr Reagan was confirming their worst fears by attempting to turn the Western summits into an American-dominated "super Nato"—a permanent forum for discussion of East-West and security issues. No defence problem has ever been discussed so thoroughly at a world economic summit.

France, they pointed out, was not part of the integrated Nato military command. Nor was Japan. They found the initial draft of the statement too "aggressive" and too full of details of the U.S. negotiating position that they did not wish to be officially committed to. The summit had no right to dictate policy in such other matters as the U.S. negotiation on chemical weapons, the Madrid conference on security and co-operation in Europe or the Vienna conventional force reduction talks (MBFR), they said.

Canada generally lined up with France, though not on the section excluding the French and British deterrents from the INF negotiations, and West Germany gave some moral support to prevent the French being isolated among the Europeans. Japan wanted to be sure that Soviet SS-20 missiles were not simply transferred from Europe to Asia.

After considerable modifications — involving greater emphasis on arms control and peace in general and less on the deployment of the new U.S. weapons—the French felt that they had made their point and went along with a statement

Arms text affirms united front

WILLIAMSBURG — The following is the full text of the arms control statement issued by the seven major industrial countries at the summit:

● As leaders of our seven countries, it is our first duty to defend the freedom and justice on which our democracies are based. To this end, we shall maintain sufficient military strength to deter any attack, to counter any threat, and to ensure the peace. Our arms will never be used except in response to aggression.

● We wish to achieve lower levels of arms through serious arms control negotiations. With this statement, we reaffirm our dedication to the search for peace and meaningful arms reductions. We are ready to work with the Soviet Union to this purpose and call upon the Soviet Union to work with us.

● Effective arms control agreements must be based on the principle of equality and must be verifiable. Proposals have been put forward from the Western side to achieve positive results in various international negotiations: On strategic weapons (Start), on intermediate-range nuclear missiles (INF), on chemical weapons, on reduction of forces in central Europe (MBFR), and a conference on disarmament in Europe.

● We believe that we must continue to pursue these negotiations with impetus and urgency. In the area of INF, in particular, we call upon the Soviet Union to contribute constructively to the success of the negotiations. Attempts to divide the West by proposing inclusion of the deterrent forces of third countries, such as those of France and the UK, will fail. Consideration of these systems has no place in the INF negotiations.

● Our nations express the strong wish that a balanced INF agreement be reached shortly. Should this occur, the negotiations will determine the level of deployment. It is well known that should this not occur, the countries concerned will proceed with the planned deployment of the U.S. systems in Europe at the end of 1983.

● Our nations are united in efforts for arms reductions and will continue to carry out thorough and intensive consultations. The security of our countries is indivisible and must be approached on a global basis. Attempts to avoid serious negotiation by seeking to influence public opinion in our countries will fail.

Time will tell if summit's tone was confident or complacent

BY ANATOLE KALETSKY IN WILLIAMSBURG

WHETHER THE right description for the tone of the seven-nation summit was "confident" or "complacent" will only be revealed in the months and years ahead.

President Ronald Reagan, the host, had made it clear from the start that he hoped for a summit which would endorse his optimism about the U.S. economic recovery. A strong U.S. recovery would take care, more or less automatically, of most of the other hazards facing the world—in his view at least.

One senior White House official, standing around waiting for the leaders to go into Sunday lunch, was asked what the President would be telling the others about the massive U.S. budget deficits. "If the recovery really gets going you will hear less about the deficit problem, in the next year," he replied.

What about the increasing protectionism in the Congress resulting from the strong dollar? "The protectionism is already fading as the recovery takes hold."

How worried is the Administration about the overhang of Third World debt? "It's pretty well under control. Most of the debt problems will lessen once the recovery takes off."

The other leaders, however, came to Williamsburg in a more sullen mood. They came to complain about the level of U.S. interest rates and the dollar. And indeed they did deliver the President what was by all (except the U.S.) accounts, a harsh lecture on his fiscal policy. But they came out speaking of recovery, unity and convergence.

They said they understood the President's problem with Congress, although if they had read their papers they would have seen that the Congress is trying to force *smaller* deficits, not larger, on Mr Reagan. They confirmed for the President that the world as a whole, not just the U.S., was moving towards recovery. The only further action needed (as a concession to the French), would be a series of discussions among finance ministers on the advantages and disadvantages of monetary reform at some time in the future, and there would be increasing "co-ordination" of national economic policies with the International Monetary Fund playing an enhanced role in this.

The result of this summit must be considered gratifying for politicians and economists who think that a resurgence of inflation is the greatest danger facing the world economy in the next few years. Everybody, even the French, talked of the need to reduce budget deficits in order to promote recovery—not just in the U.S. but, it seemed, in all countries including even West Germany and Japan, where domestic savings are currently well above private investment demands.

Indeed the really dominant figure at this summit was not, despite the setting and his natural pre-eminence, the optimistic President Reagan. Rather it was the stern Prime Minister Margaret Thatcher and, some way behind, the newly elected Chancellor Helmut Kohl of West Germany.

The Chancellor who, in his budget just a few weeks ago, put an additional fiscal squeeze on the German economy, heartily endorsed the continuing drive to reduce inflation and budget deficits. The idea that some countries, particularly Germany and Japan, might have "more room for manoeuvre" than others, and might therefore benefit both themselves and the world by adopting more stimulative policies, was apparently not even mentioned during the discussions among the heads of state.

Foot attacks lack of expansion strategy

BY IVO DAWNAY, LABOUR STAFF

BRITAIN'S opposition parties yesterday seized on Mrs Margaret Thatcher's optimistic interpretation of the Williamsburg summit outcome as a new weapon with which to attack the Conservatives' economic record.

As the UK's general election campaign entered its third week, senior Labour Party leaders repeatedly warned that

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the failure of the summit to agree a joint strategy for expansion would have "catastrophic" consequences for industry and jobs.

The Labour attack came just hours after the Prime Minister returned to London to resume her campaign for a second term. Earlier, she had told reporters she was "heartened" by the conference.

Inflation and interest rates were down and productivity was rising in several economies, however she warned that there were no quick cures for the world economy. "A quick cure is a quack cure," Mrs Thatcher said.

The Prime Minister was careful to emphasise that there would be no change of course for the economy under her administration.

Mr Michael Foot, the Labour leader, said the summit gave "no hope" for the country's 3.2m unemployed. "Williamsburg is a catastrophe for the Western world as a whole," he said.

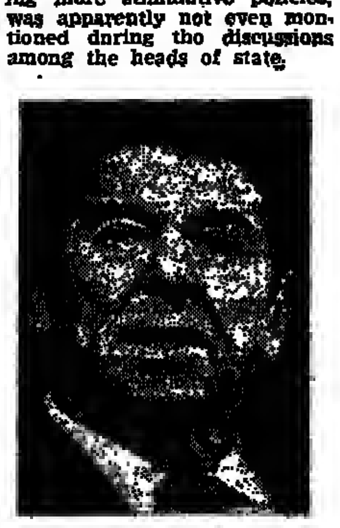
Mr Denis Healey, the deputy Labour leader and a former Chancellor, claimed that the summit outcome meant the world banking system was now at serious risk. In the UK, no jobs, nor the solvency of any company, could be guaranteed over the coming 12 months.

Mr Peter Shore, Labour's economics spokesman, said the summit had failed to tackle "cripplingly high" interest rates, Third World debts or unemployment.

"There are no signs whatever of a recovery here in Britain and the British Government is determined to do nothing whatever to fight the recession," he said.

The Alliance reacted more dismissively to the summit. Mr Roy Jenkins, the Alliance's Prime Minister-designate, said that the talks would have little influence on Britain or the general election campaign.

The Williamsburg conference had amounted to little more than "a mutual congratulation society," he added.

Mrs Margaret Thatcher (left) said she was "heartened" by the Williamsburg summit. But on her return to the UK she was attacked by Labour leaders because the summit failed to establish a strategy for expansion. Instead, the meeting appeared to take its tone from the optimism of its host, President Ronald Reagan (right) who argued that a recovery was underway

Two more Israelis killed in Lebanon

By David Lennon in Tel Aviv

GUERRILLA attacks on Israeli forces in Lebanon intensified over the weekend, even as the threat of an immediate outbreak of war between Israel and Syrian forces receded. This followed the ending of Syrian military manoeuvres in eastern Lebanon and on the Golan Heights.

Two Israeli soldiers were killed and three injured in an ambush near Bahamdoun in central Lebanon on Sunday afternoon, the army spokesman announced in Tel Aviv yesterday.

Officials in Jerusalem believe that Damascus is deliberately encouraging incessant guerrilla harrassment of Israeli troops. The Syrians, it is believed here, regard this as a more effective way of undermining Israel's resolve to stay in Lebanon than a full-scale war.

Israel has yet to find an effective way of combating the rising level of guerrilla attacks. From the point of view of casualties May could have been the worst month since the Israeli forces began their withdrawal from Beirut last September. Seven soldiers were killed and 68 wounded.

On Sunday alone, there were four guerrilla attacks on Israeli forces, though three of the incidents did not cause any serious casualties.

Although tension between Israel and Syria has abated somewhat neither side has relaxed its military posture. Israeli forces are still in a high state of alert, and there has been no reduction in troop levels which had been increased last week as a precautionary measure.

Reuter reports from Beirut: President Amin Gemayel of Lebanon yesterday called on other Arabs to support his efforts to get foreign troops out of the country.

In a speech in mainly Muslim West Beirut, Mr Gemayel also called for unity between Christians and Muslims. By his very presence he was backing his words with action. It was the first time for many years that a president, traditionally a Christian, had addressed a public rally in the west of the city.

Local Muslims were astounded by his surprise attendance at the rally, which was organised by a Muslim charity group. "He certainly shows courage coming over here," was a recurrent comment.

● Meanwhile, Mr Yassir Arafat, the Chairman of the Palestine Liberation Organisation (PLO) yesterday cancelled a meeting of his closest aides planned for this week and toured northern Lebanon after hardline PLO officers had gained ground in their mutiny against his Fatah group, AP reports from Damascus. Fatah is the largest of the PLO groups.

Turkey claims swift success against Kurds

By Our Foreign Staff

The Turkish army's operation against Kurdish guerrillas in northern Iraq has been completed, according to a Foreign Ministry official's claims in Ankara.

Last week some 2,000 Turkish troops, acting in co-ordination with the Iraqi government, moved across the Iraqi border to attack Kurdish guerillas. The Kurdish rebels had long been active in Turkey's south-eastern province and early in May killed three Turkish soldiers.

There was some question yesterday, however, as to whether the Turkish operation had ended in a complete withdrawal of Turkish troops or whether the Turks had established themselves in Iraqi territory.

The Turkish Foreign Ministry said that it understood that the troops had left Iraq, after penetrating 30 kilometres (19 miles) into the country. But representatives in London of the main Kurdish rebel groups in Iraq reported that Turkish troops were consolidating positions up to 2 kilometres inside Iraqi territory.

Similar disagreement surrounded the scale of fighting in Iraqi Kurdistan at the end of last week. The Kurdistan Democratic Party (KDP) said that there had been no clashes so far, though Turkish and Iraqi officials said that 1,500 to 2,000 Kurds had been captured. According to the two governments' version of events there were no casualties on the Turkish side.

The Patriotic Union of Kurdistan (PUK), a rival of the KDP in Iraq, reported that there had been heavy fighting, in which 100 Turkish soldiers had been wounded, and that the Turkish army had overrun two of the KDP's camps.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

Right loses ground in San Marino

By James Buxton in Rome

THE ATTEMPT by the Christian Democrats of San Marino, the tiny independent state in Northern Italy, to regain control of the republic from the Left appears to have failed.

In elections at the weekend for the San Marino Grand Council support for the Christian Democrats, the biggest party, declined by a faction of a percentage point, while the two Socialist parties between them gained nearly 4 per cent.

The Communists, the second biggest party in San Marino, who have ruled in coalition with the Socialists since 1978, lost nearly 1 per cent of their vote.

Unless the Socialist parties go into the coalition with the Christian Democrats, the present Government, in which the Communists are the largest single party, will continue in office, making the 61-square-kilometre state the only one in Western Europe with a Communist-led administration. The republic was Christian Democrat-run for more than two decades until 1978.

The outcome of the vote is a big disappointment to the San Marino Christian Democrats, who had worked hard on the 21,000 voters (7,000 of whom are non-resident) to improve their position.

The key question in the Italian general election to be held at the end of next month, is by how much the Italian Socialist Party increases is vote. The slight fall in the Communist vote in San Marino may be taken in Rome as reflecting the marginal decline in the Italian Communist vote which both opinion polls and pundits forecast.

Aircraft shot down over Maputo

By Michael Holman in Maputo

AN unidentified aeroplane, thought to be a South African Mirage fighter, was shot down over Maputo on Sunday afternoon, the official Mozambique news agency has said.

Several independent eyewitnesses said two high-flying jets, which were overflying the city, were fired on by anti-aircraft guns situated on the bay. One of the planes was seen falling into the sea.

An eyewitness with military experience identified the aeroplanes as Mirages. The same eyewitness reported that one of the planes had dropped what seemed to be a smoke bomb over one of the city markets, sending shoppers fleeing in alarm, but no casualties were reported.

Gonzalez on Latin American tour in effort to revive historic links

BY DAVID WHITE IN MADRID

SPAIN yesterday entered a period of intense diplomatic activity with the start of a Latin American tour by Sr Felipe Gonzalez, the Prime Minister, and the opening of official talks in Moscow by his Foreign Minister, Sr Fernando Moran.

These key visits come after controversy over the handling of several aspects of foreign policy under the Socialist administration.

Sr Carlos Miranda, the head of the Foreign Ministry's Latin American department, who was due to have accompanied the Prime Minister, resigned on Friday as a result of an embarrassing incident during King Juan Carlos's recent visit to Brazil and Uruguay. Parts of a speech delivered by the king to the Brazilian Parlament was found to correspond word-for-word with published declarations by Sr Gonzalez.

The Latin American tour, which covers five countries and six cities in six days, is being given a symbolic significance in that it is being placed before Sr Gonzalez's first trip to the U.S. on June 20.

The tour is being billed as essentially political in nature, and its impact is likely to be enhanced by Sr Gonzalez's own personal standing.

Sr Felipe Gonzalez, sought yesterday to reassure international business about the Socialist Government's commitment to the private sector and said it hoped to bring inflation down to European norms by the end of its term in 1986, our Madrid Correspondent writes.

Opening a two-day conference organised by the International Herald Tribune here, he said this year's inflation target of 12 per cent, against just over 14 per cent last year, was well within reach and that the aim was rates of 8 per cent next year, 6 per cent in 1985 and 4 per cent the following year.

Sr Gonzalez laid stress on the Government's aim not to increase the size of the public sector, with a strong implied criticism of the nationalisation programme carried out by the French Socialist administration.

Nationalisation was "not a means of social progress," he said, evidently aiming to clear up concern among foreign investors in the wake of the expropriation of the Rumasa group.

However, Spanish officials have sought to play down the idea of a separate Spanish initiative in the central American imbroglio. The Government has put its weight instead behind the so-called Contadora initiative, and Sr Gonzalez has extended his trip to include all four countries involved in the peace move — Colombia, Venezuela, Panama and Mexico — after a first stop in the Dominican Republic.

Spanish hopes of reviving historic and linguistic links in the region, in the search for a zone of influence and new markets for Spanish companies, have been voiced repeatedly in recent years.

Meanwhile, Sr Moran, in the first top level contact between Madrid and Moscow since the Spanish Socialists took power last December, is due to sign a new bilateral maritime accord as a step towards setting trade relations on a more normal footing.

The accord replaces secret agreements which were made with Moscow during the Franco regime, when the two countries had no diplomatic ties, and which covered the use by Soviet fishing vessels of facilities in the Canary Islands.

Community still divided on worth of Ecosoc

BY JOHN WYLES IN BRUSSELS

THE EEC's economic and social committee will bask in Brussels limelight today as it celebrates it's 25th birthday with Community opinion still divided as to whether it is a European quango which can now be dispensed with, or an institution playing a valuable consultative role in the policy-making process.

One-third of it's 156 members are selected to represent the employer interest, another third the trade union opinion and the remaining third, the "general interest." Required by the Treaty of Rome to provide the European Commission and the Council of Ministers with an opinion on all proposed EEC legislation, the committee's influence has always been difficult to evaluate.

For much of it's life Ecosoc, as it is known, has seemed to be the EEC's "lost institution." Although it meets in plenary session 10 times a year, it has never been able to attract as much public attention as the European Parliament and manifestly wields far less public influence.

But if, as some hold, it is as superfluous as the human apendix it has, none the less, a powerful hold on life. Created by the Treaty of Rome, it can only be excised from the body politic by an amendment to the Treaty and that takes far more political time and effort than anyone could be bothered to find.

Predictably, it's participants have fewer doubts as to its value. It's current president is M Francois Ceyrac, former head of the French Patronat and he argues fiercely that it's importance lies as a testing ground for organised interest group opinion.

The compromises forced between the two sides of industry in the interests of producing final reports provide, he argues, an important map of the common ground on important social and economic issues.

Greek unions to step up strike action

By Victor Walker in Athens

GREECE'S Socialist Government yesterday faced its first major confrontation with organised labour, over a move to restrict the right to strike in the public sector.

Banks throughout the country were closed yesterday and the Federation of Greek Bank Employee Organisations (OTOE) said further stoppages would be staged tomorrow.

Other strikes held yesterday, or called for later this week, affect public transport, hospital doctors, the public power corporation, telecommunications, Olympic Airways and port workers.

Yesterday's stoppages coincided with the opening of a debate in parliament on a government Bill to "socialise" public utilities and state-owned enterprises, including banks.

"Socialisation" is to consist essentially in the placing of representatives of the state, local authority and trade unions on the boards of the organisations concerned.

U.S. machine tool slump continues

THE U.S. machine tool industry remains in a deep decession, with few signs of a recovery in business, Richard Lambert writes from New York.

New orders in April fell to $119.2m, 21 per cent below the previous year's level and comparing with figures of $125.6m in March and $97.5m in February.

New orders in the first four months of the year fell by 34 per cent to $434m. The backlog at the end of April stood at just under $990m, down from $2.5bn a year earlier.

Thomas tipped for El Salvador job

Gerald E. Thomas, U.S. ambassador to Guyana and a retired navy admiral, is the top candidate to replace Mr Deane Hinton as American ambassador to embattled El Salvador, a Reagan administration official says, AP reports from Washington.

White House spokesman Mr Larry Speakes declined to confirm yesterday that Mr Hinton would be replaced, telling reporters, "We have no announcement to make." But a well-placed official, who spoke on condition that he not be identified, confirmed that Mr Hinton is on his way out.

Hundreds detained after Lima explosions

About 500 people have been detained in connection with a series of explosions that blacked out Lima for 90 minutes on Friday night, police officials said yesterday, Reuter reports from Lima.

Police blamed the Maoist Sendero Luminoso (Shining Path) guerrilla movement for the 40 bomb attacks which felled 10 electricity pylons and destroyed the Bayer chemical industrial plant on the outskirts of the city. The damage is estimated at about $400m.

Steel companies appeal against output fines

Two steel companies, Kloeckner Werke of West Germany and Usinor of France, yesterday appealed against a European Community Court of Justice decision to fine them on charges of excess production, AP-DJ reports from Luxembourg.

On March 24, the court fined Kloeckner DM 109m for exceeding compulsory output levels during the fourth quarter of 1981 and the first and second quarters of 1982. It also fined Usinor FFr 82.4m for excess output during the fourth quarter of 1981.

Soviet Union unlikely to beat economic problems, says report

BY NANCY DUNNE IN WASHINGTON

THE Soviet Union, while possessing a "viable" economy with great potential, is beset by problems its leaders are unlikely to overcome, according to a study released yesterday by the Congressional joint economic committee.

The two-volume study, "*Soviet Economy in the 1980s: Problems and Prospects*," is composed of more than 50 papers written by Government and private Soviet specialists before the death of Leonid Brezhnev.

Its writers conclude that the Soviet economy will continue to grow at a low but steady level, perhaps as high as 2 per cent in some years. However, "anything the Soviet leaders might do that would be economically significant in improving performance, say to a 3 to 4 per cent annual GNP growth, would be politically unacceptable within the USSR, and that anything that they might do that was politically acceptable would be economically insignificant."

Having achieved a high growth rate until the 1970s, the Russians must now concentrate on "intensive" development—rapid productivity gains through the introduction of new technology, improved incentives and better planning and management. Yet the slow pace of economic reform and the decline in growth of plant and equipment threatens the introduction of new technology and hence productivity goals, the report says.

Despite recent reforms, planning in the USSR today was more centralised, rigid and detailed than ever before it says. Public disillusionment with the system may be contributing to the increase of alcoholism and mortality of work-age males and to the decrease in labour discipline and labour productivity.

The papers in the study, most of which contain original research based on primary sources of information, cover a wide variety of topics, including investment policy, industrial development, the steel industry, transportation, energy, defence, Western technology transfer agriculture, health, population changes and foreign trade.

Among the major points in the study are:

● Western efforts to exert leverage over Soviet behaviour through trade embargoes have been unsuccessful.

● Soviet leaders can be forgiven for believing they had been "tricked" by the U.S., when it failed to extend promised "most favoured nation" status, even after the Russians permitted a vast increase in emigration.

● The Russians are likely to continue expansion of their defence capability with a resulting adverse effect on the availability of investment capital and skilled labour.

● Soviet assistance to Poland in 1980 and 1981 totalled almost $10bn and such assistance to its satellites is likely to continue burdening the USSR in the foreseeable future.

● Sluggish growth in the steel industry has become a major drag on the Soviet economy.

● The emergency energy programme to develop Soviet natural gas resources is "risky" because it depends on rates of development in construction which have never been reached before and it bets that oil and coal production can be maintained or even slightly increased without a massive increase in the rate of capital spending.

THE death of Mr Arvid Pelshe, at 84, the oldest man in the Soviet Politburo, removes from Soviet politics the last man in the leadership to have played a role, albeit a minor one, in the 1917 revolution, Anthony Robinson reports. Had he lived another two weeks he would very likely have been removed from the top policy making body as part of what is expected to be a long delayed leadership reshuffle at the central committee plenum scheduled for mid June.

Mr Pelshe's contribution to Soviet politics was more symbolic than real for many years when his continued membership of the politburo reflected reluctance to disturb the delicate balance of power within it rather than his own intrinsic virtues.

Now, the politburo is down to 12 members of whom five, including Foreign Minister Andrei Gromyko, Defence Minister Dmitri Ustinov, and Prime Minister Nikolai Tikhonov are well over 70. The first two are strong supporters of Mr Andropov, the latter is considered ripe for replacement, provided Mr Andropov can muster enough support to overcome the blocking tactics of his main rival, Mr Konstantin Chernenko, 71, whose future also now hangs on the backstage power struggle raging in the Kremlin as the date for the plenum approaches.

Machel takes defence job in Mozambique reshuffle

BY MICHAEL HOLMAN IN MAPUTO

MOZAMBIQUE has embarked on the most wide-ranging government reshuffle since independence in 1975, designed to meet criticism of its handling of a growing economic crisis, as well as its failure to control the activities of anti-government guerrillas.

Key moves ennounced by President Samora Machel include his own assumption of overall control of defence, and the creation of a new Minisler of Economic Affairs within the Office of the President. Several senior Ministers bave also been given responsibility for individual provinces as part of an effort to decentralise the administration.

The latest phase of the reshuffle comes just a week after South Africa bombed targets in the suburbs of Maputo, the Mozambique capital, underlining the country's vulnerability to attack. South Africa is also accused of backing the so-called Mozambique National Resistance (MNR), which now opereles egainst the government in nine out of 10 provinces.

Security problems caused by the dissidents have greetly aggravated Mozambique's economic plight, marked by rising balance of payments deficits, and now compounded by the worst drought in 50 years.

The reorganisation nf the government was launched by President Machel on May 21, in a marathon nine-hour speech, in whicb be criticised his own Ministers and top officials for failing to stay in touch with "the voices of the people."

The origins of the reshuffle, which includes three new ministers, four reassignments, five newly created deputy ministers, and a new ministry, go back to the April congress of the ruling party, Frelimo.

Delegates to the congress were outspoken in their criticism of the government's handling of key sectors, notably agriculture, and particularly scathing about desk-bound ministers and officials who seldom ventured out into the countryside or on to factory floors.

The Defence Ministry remains onder Lt Gen Alberto Chipande, but his former deputy, Lt Gen Armando Guebuza, becomes Minister of the Interior. The ex-Interior Minister, Maj Gen Mariano Matsinhe takes over the reorganised Ministry of Security, and Col Oscar Monteiro moves from his post as acting Governor of Gaza province to take over the Justice portfolio. President Machel himself will play a greater role in defence matters, although day to day responsibility appears to remain with Lt Gen Chipande.

The new Minister of Economic Affairs is Sr Jacinto Veloso, hitherto the Minister of Security. Sr Jose Lobo, the ambassador to the United Nations, bas been recalled to become Minister of Mineral Resources, while Sr Sergio Vieira is replaced as Agricultuce Minister by Sr Joao Ferreira.

Labor fails to win Australian by-election

By Michael Thompson-Noel in Sydney

FAILURE to communicale its policies effectively, as well as this month's mini-bndget, were among the reasons that Australia's Labor Government failed to win the weekend by-election in the Melbourne seat of Bruce, Labor strategists admit.

At the general election on March 5, Labor came within less than one percentage point of winning Bruce, held by the former Speaker of the House of Representatives, Sir Billy Snedden.

In Saturday's by-election, caused by Sir Billy's resignation, the swing back to the Liberal Party was approximately four percentage points.

On the other band, no Australian Government has wrested a by-election vielory from the opposition since 1920.

Earlier this month, Labor introduced a mini-bndget, whose most controversial feature was a proposed tax on lump-sum superannuation payments.

Mr Bob Hawke, the Primc Minister, admitted at the weekend that fallure to explain the superannuation issue adequately had probably cost the Government votes.

Yet the defeated Labor candidate, Mrs Heather O'Connor, went mnch further, saying the result was a warning to Labor that it would have to "communicatc its policies mnch more effectively,

Retention of Bruce was seen as a definite plus for the Liberals' new leader, Mr Andrew Peacock, who said the result reflected the voters' distaste for Labor's "broken election promises."

Japan achieves $2.3bn surplus

BY JUREK MARTIN IN TOKYO

JAPAN cecorded its second biggest moothly current account surplus in April principally because of sharp drops in both the volume and price of oil imports.

The surplus, $2.3bn (£1.45bn) has only been once surpassed, by a $2.4bn surplus in March, 1978, aod is comfortably in advaoce of the $1.9bn of March.

A seoior Bank of Japan official commeoted yesterday thal this year's surplus will "easily double" the $6.9bn of 1982. Some private analysis are predicting it could amount to $15bn-$20bn.

This is something of a mixed blessing for Japan. Mr Haruo Maekawa, Governor of the Bank of Japan lamented in a speech last week that the magnitude of the surplus was "unfortunate" since it tended to perpetuate the impression overseas that Japan was once again exporting unemployment.

The surplus also masks the fact that Japan remains a substantial net exporter of capital, which, at times, bas helped undermine the value of tbe yen. In April the long term capital balance was in substantial deficit by $2.03bn only a little less than the $2.22bn of March and could exceed last year's $15bn level.

The merchandise trade surplus in April, down slightly on March to $2.75bn, reflected exports of $12.05bn, 0.7 per cent below the previous month, and imports of $9.30bn, a large 13.2 per cent monthly decline.

The Japanese Government is convinced the year-long decline in exports has reacbed bottom and, with tbe impending recovery in the world economy, now constitutes one of the stronger elements in an otherwi: still sluggish domestie economy.

However, tangible evidence is still a little slow in coming through. The Japan Foreign Trade Council, for example, reported yesterday that export contracts signed in April by the country's major trading houses were sharply down both on the previous month and on the same month of 1982.

On the imports side, the sharp April decline stems from an 11.6 per cent eod a 7.0 per cent drop in the value and volume respectively of oil imports.

In a report last week, the Ministry of International Trade and Industry (MITI) projected that domestic demand for fucl oil products, which bas been declining since 1980, would fall a further 3.9 per cent in the current fiscal year. Over the longer haul it foresaw demand in 1987 only a mere 0.2 per cent above current levels.

Japan has also benefiled from lower oil prices: the customs clearance price of under $30 per barrel in the March-April period compares with over $34 p/b a year ago, a prime reason for tbe substantial balance of payments improvement.

- Japao's exports of four-wheel vehicles declined in April for the second consecutive month on a year-to-year basis, the Japan Automobile Mannfacturers Association announced yesterday.

Association officials said vehicle exports fell 2.8 per cent from last year to o total of 511,636 units in April. The exports suffered a 5.9 per cent setback to 453,056 units in March compared to tbc same month last year.

Exports of passenger cars declined 1.5 per cent to 359,100 units, while those of trucks droped 5.5 per cent to 149,554 units and those of buses fell 16.7 pcr cent to 2,982 units.

Assemblers seek bigger quotas on VCR kits

BY JOHN DAVIES IN WEST BERLIN

JAPANESE and European companles are intensifying their campaign for en easing of curbs on the assembly of jointly produced video cassette recorders (VCRs) in the European Economic Community.

The partners involved in the J2T joint-venture in West Berlin and Newbaven, England, appeared confident they can mount a strong case for relaxation of the curbs next year.

The partners are Victor Company of Japan (JVC), the developer of the VHS video recorder system, Thorn-EMI of the UK and Telefunken of West Germany, in which Thomson-Brandt of France recently acqnired a 75 per cent stake. Thomson-Brandt has also reached an agreement with JVC to make machines under licence.

Under the three-year pact agreed by the European Commission and Japan in February, Japan is to limit VCR exports to the EEC this year to 4.55m, including about 600,000 kits for local assembly.

J2T will produce about 400,000 VCRs based on Japanese kits this year bnt bopes to reach 700,000 next year, with European content steedily growing to 35 per cent or moce by the end of next year.

Other VCR local assembly operations are already under way or planned in Europe involving Sony, Matsushita, Hitachi and Sanyo.

Tbese operations are all in competition with the entirely indigenous European operations of Philips and Grundig, whicb, bowever, are protected by clauses of the pact guaranteeing European producers sales of at least 1.2m sets in the EEC and alignment of prices of imported and local produced VCRs.

An executive of Thorn-EMI said in West Berlin yesterday that J2T's case for relaxing the curbs on local joiot ventures would go to the EC in about two weeks. He said he failed to see bow the EC could stand in the way of expanded joint production with a bigher local content.

As part of its mounting campalgn for celaxation of curbs, J2T yesterday staged a formal opening ceremony at its West Berlin factory—one year after the actual start up

Amid the wbir of television cameras the occasion was used to demonstrate official backing as Dr Richard von Weizsaecker, governing mayor of West Berlin, and Herr Wolfgang Kartte, president of the West German Cartel Office, expressed support for expansion of the project.

Herr Kartte indicated he was unhappy with the restrictions in the EEC-Japan egreement, orguing that protectionism did not creale economically efficient and assured jobs for the future.

Most outspoken however was Herr Josef Stoffels, chief executive of Telefunken, who said bluntly that further growth of the factory, now cmploying 450 workers, depended on a political decision to ease the Japan-EEC pact.

Mr Ichiro Shinji, president of JVC said his company regretted that kits for assembly in West Berlin wece included

He believed J2T was a model for future co-operation between Japanese and European companies.

The EEC and Japanese authorities are expected to meet towards the end of June to discuss operation of the pact. Other meetings are expected later this year.

S. African court upholds migrant workers' rights

BY J. D. F. JONES IN JOHANNESBURG

SOUTH AFRICA'S Appeal Court yesterday dealt a damaging blow to the Government's influx-control policy wben it ruled that migrant workers who have the same employer for 10 years thereby gain the right of permanent residence in the towns.

In a keenly awaited judgment, the Appeal Court, in Blomfontein rejected the appeal of the East Rand Administration Board in the so-called "Rikhoto case".

The board had argued that black migrant workers cannot by definition work "continnously" because they have to renew their work contract each year; it would follow from this that no migrant worker could ever satisfy Section Ten of the Urban Areas Act, and win permanent nrban rights.

The importance of the judgment is that it will deter officials who, according to the liberal Black Sash Organisation, have been frequently ignoring earlier judgments in the Supreme Court, and enforcing their own interpcetation of Section Ten.

Many thousands of migrant workers are in a similar situation, and the Government has not concealed its fears, that the interpretation of the Urban Areas Act in the courts will permit a flow of blacks into the towns.

Many opponents of the Government believe that following yesterday's Appeal Court judgment the Government will pass new legislation to close what it sees as a loophole.

Chinese family planning shifts to sterilisation

By Mark Baker in Peking

ONE OF China's most important provinces has introduced a programme of compulsory abortions and sterilisations for couples wbo break the national policy of one-child families.

The decision, believed to be the first on a province-wide basis, indicates that China is having serious problems in its campaign to contain population growth to less than 1.2bn by the year 2000.

The Guangdong provincial government, which administers 60m people bordering Hong Kong, has ordered that all women pcegnant with a second child must undergo abortions and that women must use an intra-uterine device after one child.

It has also ordered that couples with more than two children must accept sterilisation of either the husband or the wife.

In announcing the measures, Guangdong's deputy governor, Mr Wang Pingshan, said that the birth rate for couples with more than one child had risen to 19.2 per cent last year.

He said the move on compulsory sterilisations was "an important technical policy" adopted in accordance with guidelines on populations control stipulated by the state family planning commission.

China's national policy is that all urban residents and government employees may have only one child, apart from exceptional cases such as deformity in the first child. Rural dwellers are "strongly encouraged" to have only one child, but a second child is tolerated in some areas.

The policy has led to widespread infanticide, particularly in rural areas wbere first-born daughters are killed off by couples who still believe in the traditional importance of having a son.

An official survey by the all China Women's Federation, celeased last month, found that in some production brigades in Anhui province infanticide had led to an imbalance of five to one between male and female infants. In one brigade, of 100 families, 40 new-born girls were drowned in 1980 and 1981.

WORLD TRADE NEWS

European satellite makers worried by French delays

BY DAVID MARSH IN PARIS

CONCERN IS growing emong European satellite companies about possible delaya to France's ambitious plan for satellite television, which is edding to uncertainties about the order outlook among space manufacturers.

A Franco-German company, Eurosatellite is elready building the first French satellite for direct television broadcasting, TDF-1, ready to be launched in October 1985 on the Ariane launcher.

But the French government still has not ennounced a firm order for a second satellite, TDF-2, which would be needed for the country's planned satellite TV system to become operational. Since the satellite will take about three and a half years to build, there is a risk that France will not be eble to keep to its target of starting satellite TV by 1986.

The main shareholders in Eurosatellite are Aerospatiale and Thomson the French nationelised aerospace and electronics groups together with Messerschmitt of West Germany.

With TDF-2 costing an estimated \$60m (£38.7m) to build, the space companies suspect that the French government — although still committed in principle to satellite plans — has not announced a firm contract primarily for economic reasons.

Eurosatellite officials, who have been waiting for the order for months, say technical teams working on the project may be broken up unless the contract is confirmed soon.

The delay is also linked to uncertainties in the French Government's policies over the whole future of satellite broadcasting, in particular bow it will fit in with plans to expand cable TV.

Cable transmission centres, which can receive relatively low powered signals from space on large attennaoe and re-transmit them to bomes vie ground networks, are expected to grow rapidly in coming years. For this reason television satellites may not need to be as high-powered as those envisaged under Franco-German plans et the eod of the 1970s.

Significantly, Germany too—for whom Eurosatellite is also building a TV satellite, TV-SAT—bas also not decided on a second order to set up an operational system.

Showing the shift in satellite priorities as Aerospatiale now sees its collaboration with Ford Aerospace of the U.S. in building medium-sized telecommunications satellites as more important than that with Messerschmitt in making large ones purely for direct TV.

According to M Francois Turck, sales and marketing manager in Aerospatiale's space division, out of a projected 200 satellites to be ordered worldwide over the next 10 years, two-thirds will be in the medium range.

Germany's main satellite priority at the moment is the planned advanced Post Office satellite for telecommunications which a German consortium led by Messerschmitt and Siemens had originally been expected to build. Matra, bowever, is also bidding for the contract, claiming it can do the work more cheaply.

UK-Swiss sign pact on trade standards

By Anthony McDermott in Berne

BRITAIN AND Switzerland yesterday signed an agreement in principle to accept each other's certificates covering trade standards.

The aim of this agreement is to increase the volume of trade in "high technology products" by easing some of the technical standards required, especially by Switzerland. It would also hope to boost the volume of all trade between the two countries which bas recently declined.

The agreement was reached during the visit of Lord Cockfield, the British minister of trade, the first since Sir (then Mr) John Nott in February 1980. On the Swiss side, it was signed by Mr Kurt Furgler, a Federal Councillor (Cabinet minister) and head of the Federal Department of Public Economy.

A communique giving details on the agreement appeared to recognise that for some British exporters (especially to those of electrical goods) the Swiss market is important, but hampered by standards requirements which imposed "some difficulties and extra expenses."

It acknowledged that a final agreement on the problems would have to be reached within the General Agreement on Tariff on Trade (GATT), the Geneva-based UN organisation which is responsible for the elimination of technical obstacles to trade. The agreement would also have to be made within the terms of the arrangement between the European Community and the European Free Trade Association (EFTA), of which Switzerland is a member.

Switzerland is Britain's 11th largest export market and fifth largest supplier.

Battle for Mideast aircraft orders

BY MICHAEL DONNE IN PARIS

THE BATTLE between the European Airbus Industrie airliner-building group and Boeing of the U.S. for new customers worldwide is now being concentrated on the Middle East, where both Egyptair, the national airline of Egypt, and Middle East Airlines (MEA) of the Lebanon ere in the market for new aircraft.

Airbus is seeking an order for at least five A-310 twin-engined short to medium range aircraft, worth about \$200m (£129m), including spares, from Egyptair, while MEA is also understood to be interested in the purchase of five aircraft.

In each case, the rival is the Boeing 767 twin-engined aircraft, designed for the same type of role.

Both aircraft are already in service — the Boeing 767 with a number of U.S. airlines and the Airbus A-310 with Lufthansa and Swissair — so that comparable details of their performances are readily available.

Despite sales claims by the rival manufacturers, the performances are only marginally different, and the victories in the current sales battle seem likely to go to the manufacturer who can offer the best financing deals.

Although the basic terms of e long-standing U.S.-European agreement are 12 per cent interest with a maturity of 10 years, there are additional financial inducements

Bridget Bloom reports on restrictions facing Europe's defence industry

Marconi falls foul of U.S. customs

Europe is becoming increasingly critical of what it condemns as U.S. protectionism in the field of defence high technology. While—in theory at least—both parties subscribe to agreements of free trade, in practice the U.S. is thought to sell as much as eight times the amount of equipment to Europe as it buys from it. The U.S. justifies its trading restrictions in the grounds of security

A FEW WEEKS ago Marconi Avionics wanted to send a high technology product from the company's plant in Atlanta Georgia, to its bead office in Rochester, Kent. The equipment had atarted life in the UK and had been exported to the U.S. — but before it could make its journey bome again it fell foul of U.S. customs officials.

In recent months they have been instructed to tigbten controls on exports of high technology to Europe as part of an overall effort to stem the flow of U.S. industrial know-how to the Soviet bloc.

The fate of MAv's product, which took six weeks to be liberated from the customs officers' clutches, is one of the more bizarre examples of how European companies can be affected by U.S. legislation and bureaucratic practice, charac terised recently by a British Minister as "rampant protectionism and restrictionism."

The two-way street in defence trade which governments on both sides of the Atlantic officially support bas long been the butt of European jokes, for the U.S. sells on average seven or eight times as much to Europe as it buys from it. But in the last few months, the muted criticisms have swelled to a chorus of complaints, from both companies and European Governments that the U.S. Congress and the Reagan Administration are seriously in danger of undermining transatlantic defence trade, industrial co-operation, and the prospects of mutual defence.

Ironically, MAv, a member of the GEC group and responsible on its own for 3 per cent of the total world market for avionics, is one of the most successful European companies in the U.S. Mr Jack Pateman, its managing director, indulges only in the most measured criticism of the transatlantic relationship.

He believes, for example, that much of the legislation, like that to control technology, is sound but that bureaucrats down the line administer it insensitively.

But be notes that "if serious restrictions are put on the flow of technology between the allies it cannot but put up the cost of equipment and reduce the effectiveoess of our defence."

The U.S. is MAv's single biggest export customer: around 50 per cent of the company's turnover is accounted for by exports, 30 per cent of which go to the U.S. The company is beavily dependeet on military contracts—only about 10 per cent of its business is in the civil field.

Key exports to the U.S. included head up displays (it was one of these that was beld up by customs), devices which enable a pilot without looking down at the controls to see in front of bim, all the information he needs to fly his aircraft and aim its weapons.

MAv boasts it has supplied "more of these than the rest of the world's combined production"—over 3,500 in all, with the 1,000th being delivered to General Dynamics for use in its F-16 fighter e year ago.

So far, it says U.S. sales of the system amount to some £300m or about two-thirds of total company exports to the U.S. over the last decade. Mr Pateman lists three keys to MA's success in the U.S. market.

● To start with, he says, "you have to be technically better and cheaper than the other guy"—though direct exports on that basis are possible only while a company remains small and poses no competition to U.S. companies.

● Once such competition exists, a manufacturing base in the U.S. is essential—MAv opened their plant at Atlanta, wholly owned, but alternating UK and U.S. nationals as company president, 21 years ago to help it through its first major contract with Lockheed. Other smaller factories have been opened at Fort Worth, Seattle and Dayton, Ohio, following contracts.

● MAv believes it is vital for success to get in very early on a U.S. military project. This happened at the research and development stage with the head up display and subsequently with other key projects. In 1981, for example, the company won a development contract, worth only \$5m, for the design and development of prototype air data computers. The aim is to equip the 27 variants of aircraft the U.S. Navy and Air Force operate with a maximum of five highly interoperable computers. Ultimate orders could be worth hundreds of millions of dollars, the company believes.

Mr Pateman describes himself as an old-fashioned believer in competition which "sorts out the men from the boys." He does not believe in joint ventures, will not license his products for manufacture in the U.S. ("that creates competitors") though the company has recently signed agreements to manufacture U.S. high tech products here.

He is sharply critical of collaborative defence projects like the Tornado fighter bomber, in which MAv is involved, maintaining that they are usually three times as costly as they need be.

He is clearly delighted that MAv, at the sharp end of high technology in the UK and with substantially increased sales over the last three years, has bucked the trend in the current UK recession.

The efforts of U.S. bureaucrats notwithstanding, the company is apparently doing the same on the two-way street.

SHIPPING REPORT

Tanker brokers report sharp fall in activity

BY LYNTON McLAIN

SPASMODIC TRADING characterised the tanker charter market last week, with activity considerably reduced compared with the previous week, when tanker brokers reported a steady increase in shipments of crude oil, especially from the Gulf.

At the same time, the latest trading reports show a preponderance of vessels trading almost exclusively on a part-cargo basis. This was a "surprising feature of the market last week," according to Galbraith Wrightson Tankers.

Almost every tanker chartered last week had traded "in another tanker's size range," and tankers tradiog as "full and complete vessels" were fast disappearing from the market.

There was not much business from major oil companies in the Gulf last week. A 360,000 tonne vessel took a part-cargo of 203,000 tonnes to Japan at Worldscale 24, "the very bottom of the market," the company said.

The only other interest in trading out of the Gulf was for smaller cargoes, with a 113,000 tonne vessel chartered to the east et Worldscale 43 and an 84,000 tonne vessel with a part-cargo of 50,000 tonnes from Kharg Island to the Mediterranean, chartered at Worldscale 80.

Trade out of Indonesia was "average" last week, for eastern and western destinations.

West African markets were less active than in the previous week. In the Mediterranean, trade showed some improvement, but the Caribbean area continued to be e disappointment, with tanker owners finding it difficult to find suitable work.

The UK continued to provide a "fair opportunity" for tanker owners, with vessels of up to 100,000 tonnes operating out of the area.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

U.S. \$m

	Mar. '83	Feb. '83	Jan. '83	Mar. '82
U.S.	8,600	9,220	9,490	9,121
UK	8,560	9,108	9,795	11,967
W. Germany	43,907	42,203	40,648	37,088
Japan	19,799	19,546	19,497	23,633
Italy	12,771	13,432	13,300	13,314
Netherlands	9,379	9,965	9,430	8,055
Belgium	3,754	3,573	3,219	2,862
	Feb. '83	Jan. '83	Dec. '82	Feb. '82
France	15,291	17,569	14,594	18,502

Source: IMF

STATISTICS: CIVIL AVIATION

Struggle continues for world airlines

AFTER a period of sustained high growth rates in the 1970s, traffic growth on the world's scheduled airlines slowed to a crawl in the 1980s an annual growth rate of 3 per cent in passenger kilometres performed (number of passengers multiplied by distance travelled), with no growth in the actual number of passengers carried. This treod reflects the recession in the world economy during the past two years as well as high inflation rates in the 1979-81 period and fluctuating exchange rates.

These factors plus the long recent period of high interest rates—still historically high in real terms—are clearly shown in the financial operating results of the world's scheduled airlines.

According to ICAO, operational profits of $3,000m in 1978 had turned into a loss of $600m by 1981. Iata, whose members cover about 70 per cent of total scheduled airlioe services, indicate a worsening position in 1982 and 1983, particularly after interest payments. Interest paymeots are an increasing burden and are expected to grow to nearly $2,000m by 1984. These payments, plus the need to purchase replacements for obsolete aircraft, are a major concern to the airlines. The forecast upturn in growth of real GDP in the major industrialised countries in 1983-84, and the easiog of inflationary pressures, are positive factors although interest rates still contioue to edge down slowly.

Commentary by Our Economics Staff: data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department

The substantial increase in aviation fuel prices in real terms since 1973 has resulted in fuel costs now representing about 30 per cent of total operating expenses compared with about 10 per cent 10 years ago; this puts increasing emphasis on fuel economy measures through more efficient design and selection of aircraft route revisions.

Load factors on international services continued to exceed the break-even level required in recent years; although the gap is closing, yields will need to be increased or costs reduced. On a unit cost basis there is now little difference between revenue and operating expenses. This is now an established industry where there is unlikely to be any dramatic technological breakthrough to increase productivity and/or reduce costs.

The North Atlantic route continues to dominate the scheduled services—27 per cent of Iata operations—and with an increasing passenger load factor. However, figures for 1982 show a drop for the first time in the number of oassengers carried, perhaps in part indicating a more marked slowing down of the rate of growth in established markets.

Orders and deliveries of new aircraft paralleled the recessionary trend in traffic and the world economy; the forecast upturn in the world economy plus the need to replace ageing aircraft could be better news for manufacturers. Industry estimates put the need for investment in replacement for obsolete aircraft at $58bn up to 1995 with another $109bn to meet anticipated growth.

Among the international airports, London Heathrow continues to handle nearly twice as much traffic as any other international airport, followed by John F. Kennedy in New York.

REAL GNP GROWTH

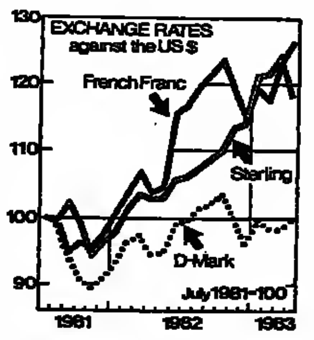
per cent change

Year	World	U.S.	Europe	Japan
1975	0.4	−1.2	−1.0	2.5
1976	5.4	5.4	4.7	5.3
1977	4.4	5.5	2.4	5.3
1978	4.4	4.7	3.2	5.1
1979	3.7	2.8	3.4	5.2
1980	1.6	−0.4	1.3	4.2
1981	1.3	1.9	−0.5	3.0
1982	−0.3	−1.3	0.5	2.8
1983-87	3.1	3.4	2.5	3.0

(annual rate)

Source: OECD, Phillips & Drew, Wharton

1. General Economy



INFLATION RATES (ANNUAL AVERAGES)

%

Year	U.S.	UK	Germany	Japan
1973	6.3	9.1	6.9	11.8
1974	10.9	16.0	7.0	24.3
1975	9.2	24.2	5.9	11.9
1976	5.8	16.5	4.3	9.3
1977	6.5	15.9	3.6	8.1
1978	7.5	8.3	2.8	3.8
1979	11.3	13.4	4.1	3.6
1980	13.5	18.0	5.5	8.0
1981	10.4	11.9	5.9	4.9
1982	6.2	8.6	5.3	3.6
1983*	4.6	5.5	3.5	2.1

* Forecasts: Phillips & Drew, NIER, OECD

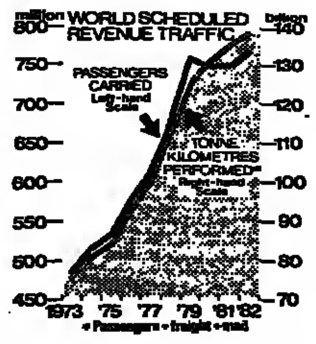
REPRESENTATIVE MONEY MARKET RATES (end of period)

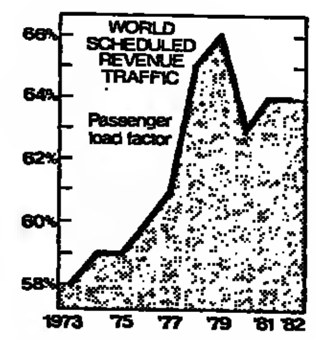
Year	U.S.	UK	Germany
Actual			
1976	4.75	14.38	4.80
1977	6.84	6.50	3.60
1978	10.53	12.50	3.70
1979	13.70	17.00	8.70
1980	17.62	14.75	10.20
1981	12.78	15.69	10.50
1982	8.81	10.50	6.20
1983*	8.30	11.31	5.68
Real			
1981	3.78	3.59	4.20
1982	4.91	5.10	0.90
1983*	4.80	5.94	1.98

* Latest available.

Source: Morgan Guaranty

2. Traffic



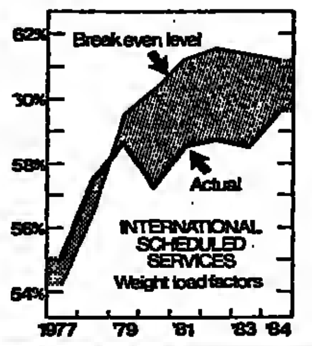


INTERNATIONAL SCHEDULED AIRLINES 1981

Scheduled services	Passenger kilometres performed—millions Number	%
International	483,900	52
Domestic	394,700	43
Non-scheduled services		
International	38,500	4
Domestic	5,700	1

Source: ICAO

Traffic



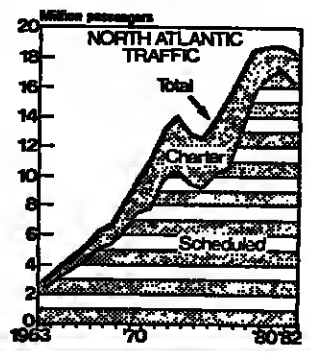
UNIT OPERATING COSTS

Year	U.S. cents per available tonne kilometers	Index 1977 =100	OECD inflation 1977 =100
1977	25.9	100.0	100.0
1978	29.0	112.0	108.2
1979	33.8	130.5	118.8
1980	40.0	154.4	134.1
1981	40.0	154.4	148.3
1982	41.0	158.3	160.2
1982*	43.5	167.9	171.0
1984*	46.6	180.0	182.1

* Forecasts.

Source: IATA/OECD

3. North Atlantic

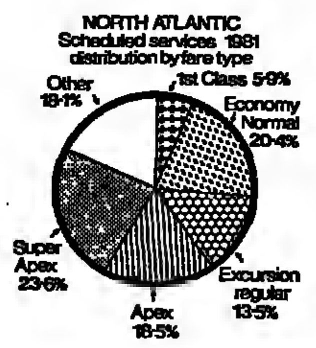


AVERAGE SEATS AND PASSENGERS PER AIRCRAFT

Year	Passengers	Passengers + empty seats	Load factor
1972	130	218	60
1973	136	235	58
1974	139	240	58
1975	140	248	57
1976	158	260	61
1977	164	270	61
1978	186	282	66
1979	198	296	67
1980	212	316	67
1981	215	312	69

Source: IATA

4. Fleets



TURBO-JET ORDERS 1972—1981

Year	Four-engined	Three-engined	Two-engined
1972	27	176	69
1973	31	147	133
1974	21	120	105
1975	15	62	88
1976	13	129	79
1977	33	167	114
1978	69	196	409
1979	61	166	315
1980	51	95	292
1981	19	37	239

Source: ICAO

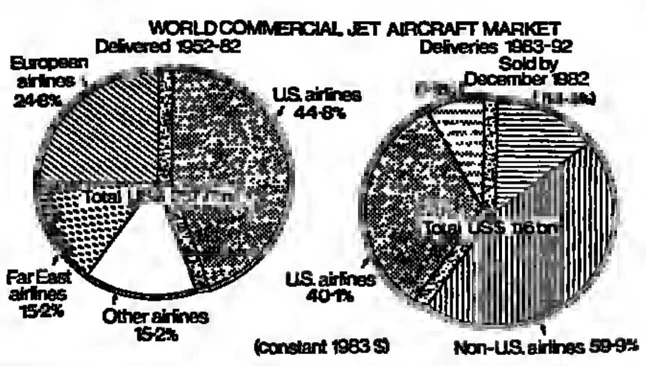
PRINCIPAL TURBO JET AIRCRAFT IN USE—END 1981

Scheduled and non-scheduled operations

Manufacture/model	No. of aircraft
Boeing B-727	1680
Douglas DC-9	915
Boeing B-737	735
Boeing B-747	495
Boeing B-707	495
Douglas DC-10	350
Douglas DC-8	360
Lockheed L-1011	215
Airbus Industrie A-300B	155
Brtish Aerospace BAC One-eleven	155

Source: IATA

Markets



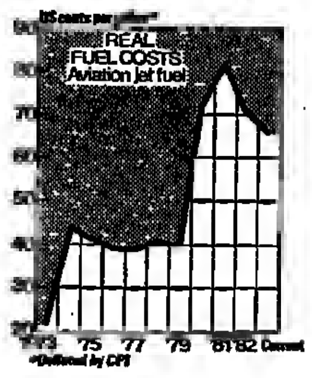
5. Airports

RANKING BY PASSENGERS (000) 1981

Total City-Airport	No.	Intnl only City-Airport	No.
Chicago	37,992	London (Hthrow)	22,536
Atlanta	37,594	New Yk (JFK)	13,333
Los Ang	32,723	Frankfurt	12,007
London (Hthrow)	26,401	London (Gatwick)	9,717
New Yk (JFK)	25,755	Paris	9,517
Dallas	23,534	Osaka	8,725
Denver	22,602	Miami	8,125
Tokyo	21,235	Rome	6,319
San Fran	19,848	Toronto	6,300
Miami	19,848	Los Ang	5,442

Source: ICAO

6. Fuel Costs



7. Finance

SCHEDULED AIRLINES

current U.S.$m

Year	Operating results	per cent of revenue
1972	806	3.5
1973	1,195	4.4
1974	792	2.4
1975	730	1.9
1976	2,156	5.0
1977	2,628	5.2
1978	3,100	5.3
1979	736	1.0
1980	−635	−0.7
1981	−600	−0.6

Source: ICAO

IATA SCHEDULED INTERNATIONAL SERVICES

U.S.$m

Year	Opertng Revenues	Opertng Costs	Opertng Result	Intrst	Result after intrst
1977	19,300	18,450	850	550	300
1978	23,450	22,500	950	550	400
1979	28,800	28,650	150	500	−350
1980	35,600	36,500	−900	950	−1,850
1981	36,940	37,190	−250	1,410	−1,660
1982	39,020	39,280	−260	1,610	−1,870
1983*	44,010	44,380	−370	1,730	−2,100
1984*	50,110	49,670	440	1,840	−1,400

* Forecasts.

Source: IATA

SCHEDULED AIRLINES—TRAFFIC/FINANCE COEFFICIENTS

U.S. cents

Average per tonne kilometre performed	1973	1976	1979	1981
Revenues				
Passenger	46.1	58.8	69.2	72.9
Total	38.8	50.3	60.1	74.9
Operating expenses	37.1	47.8	59.5	75.4
Average per tonne kilometre available				
Revenues	19.7	26.6	34.7	42.2
Operating expenses	18.8	25.3	34.4	42.4

Source: ICAO

8. Safety

SAFETY

Year	Aircraft accdnts	Pssngr fatalities	per 100m pssngr km
1972	42	1,210	0.26
1973	36	862	0.17
1974	29	1,299	0.24
1975	20	443	0.08
1976	20	734	0.12
1977	24	516	0.07
1978	25	755	0.09
1979	31	878	0.10
1980	21	812	0.09
1981	17	350	0.04

Source: ICAO

SEVEN-NATION SUMMIT

Text of Williamsburg declaration

The following is the full text of the seven-nation summit at Williamsburg:

OUR NATIONS are united in their dedication to democracy, individual freedom, creativity, moral purpose, human dignity, and personal and cultural development. It is to preserve, sustain and extend these shared values that our prosperity is important.

The recession has put our societies through a severe test, but they have proved resilient. The significant success has been achieved in reducing inflation and interest rates; there have been improvements in productivity; and we now clearly see signs of recovery.

Nevertheless, the industrialised democracies continue to face the challenge of ensuring that the recovery materialises and endures, in order to reverse a decade of cumulative inflation and reduce unemployment. We must all focus on achieving and maintaining low inflation, and reducing interest rates from their present too-high levels. We renew our commitment to reduce structural budget deficits, in particular, by limiting the growth of expenditure.

We recognise that we must act together and that we must pursue a halanced set of policies that take into account and exploit relationships between growth, trade, and finance, in order that recovery may spread to all countries, developed and developing alike. In pursuance of these objectives we have agreed es follows:

● Our governments will pursue appropriate monetary and budgetary policies that will be conducive to low inflation, reduced interest rates, higher investment and, greater employment opportunities, particulary among the young.

● The consultation process initiated at Versailles will be enhanced to promote convergence of economic performance in our economies and greater stability of exchange rates.

We agree to pursue closer consultations on policies affecting exchange markets and on market conditions. While retaining our freedom to operate independently, we are willing to undertake co-ordinated intervention in exchange markets in instances where it is agreed that such intervention would be helpful.

● We commit ourselves to halt protectionism and, as recovery proceeds, to reverse it by dismantling trade barriers. We intend to monitor this commitment. We shall give new impetus to resolving current problems.

Wo will actively pursue the current work programmes in the General Agreement on Tariffs and Trade (GATT) and the Organisation for Economic Co-operation and Development (OECD), including trade in the services and in high technology products.

For tho medium term we should work to advance further trade liberalisation negotiations in the Gatt with particular emphasis on expanding trade with and among developing countries. We have agreed to continue consultations on proposals for a new negotioting round in the Gatt.

● Wo view with great concern the international financial situation, and especially the debt burdens of many developing nations. We agree to a strategy based on: effective adjustment and development policies by debter nations; adequate private and official financing more open markets; and worldwide economic recovery.

We will seek early ratification of the increase in resources for the International Monetary Fund and the General Arrangements to Borrow. We encourage closer co-operation and timely sharing of information among the countries and among the international institutions, in particular between the International Monetary Fund, the International Bank for Reconstruction and Development (IBRD) and the Gatt.

● Wo have invited ministers of finance, in consultation with the managing director of the IMF, to define the conditions for improving the international monetary system and to consider the part which might in due course, be played in this process by a high level international monetary conference.

● The weight of the recession has fallen very heavily on developing countries and we are deeply concerned about their recovery. Restoring sound economic growth while keeping our markets open is crucial. Special attention will be given to the flow of resources – in particular official development assistance – to poorer countries, and for food and energy production, both bilaterally and through appropriate international institutions. We reaffirm our commitments to provide agreed funding levels for the international development agency.

We welcome the openness to dialogue with the industrialised countries evinced at the recent conferences of the non-aligned movement in New Delhi and the group of 77 in Buenos Aires, and we share that commitment to engage with understanding and co-operation in the forthcoming meetings of the UN conference on trade and development in Belgrade.

● We are agreed upon the need to encourage both the development of advanced technology and the public acceptance of its role in the report of the working group on technology, growth and employment which was set up ot Versailles last year, and commend the progress mede in the 18 co-operative projects discussed in that report.

We will follow the implementation and co-ordination of work in these projects and look forward to receiving a further report ot our next meeting.

● We all share the view that more predictability and less volatility in oil prices would be helpful to world economic prospects.

We agreed that the fall in oil prices in no way diminishes the importance and urgency of efforts to conserve energy, to develop economic alternative energy sources, to maintain and where possible, improve contacts between oil-exporting and oil-importing countries, and to encourage the growth of indigenous energy production, in developing countries, which at present lack it.

● East-West economic relations should be compatible with our security interests. We take note with approval of the work of the multilateral organisations which have in recent months analysed and drawn conclusions regarding the key aspects of East-West economic relations. We encourage continuing work by these organisations, as appropriate.

● We have agreed to strengthen co-operation in the protection of the environment, make better use of natural resources, and in health research.

Our discussions here at Williamsburg give us new confidence in the prospects for a recovery. We have strengthened our resolve to deal co-operatively with continuing problems so as to promote a sound and sustainable reoovery, bringing new jobs and a better life for the peoples of our own countries and of the world.

We have agreed to meet again next year and have accepted the British Prime Minister's invitation to meet in the United Kingdom.

Indonesian spending cutback threatens hydro contracts

BY RICHARD COWPER IN JAKARTA

CONTRACTS worth more than £110m to Balfour Beatty and Boving are threatened by the Indonesian Government's latest moves to cut expenditure because of reduced oil revenues.

Dr Subroto, Minister of Mines and Energy, told a parliamentary committee last week that the Mirca hydroelectric scheme in central Java was among projects worth $10bn which would be "scaled down, delayed, or continued with as minimum commercial funding as possiblo."

He gave no details on how projects might be rescheduled.

A little more than a year ago Balfour Beatty was awarded a contract worth more than £80m for the civil engineering work, and Boving one of £31.5m for the supply and installation of turbines, water penstocks and gates. Also participating in the project valued at about $350m (nearly £220m) overall are the Swedish concerns Skanska and Asea.

Mr Keith Palmer, Balfour Beatty's project manager at Mirca, said yesterday that his company had yet to be informed, officially or unofficially, of the Indonesian Government's intentions. Lengthy delays would, without doubt, increase the cost to Indonesia considerably.

Construction work has been under way for the past six months. Economists and planners familiar with the project say that the announcement could result in serious complications for the companies involved.

There seems little liklihood that the British and Swedish Governments will be able to grant soft loans of sufficient magnitude to allow the project to go ahead as scheduled.

Most of the British finance for the project was arranged by Barclays International with backing from the Export Credits Guarantee Department and the Overseas Development Authority.

Others projects which Dr Subroto revealed would be affected by the cuts are a $700m power station at Surlaya in West Java, with its capacity to be halved; a $100m coal mining project at Ombilin in South Sumatra which is to be scaled down in size; and a string of diesel power generating stations and rural electricity transmission schemes costing almost $500m.

Many major power projects for which contracts had yet to be awarded would be postponed indefinitely, he said.

The Government has also shelved the construction of 10 new sugar mills according to a separate announcement by Mr Subartoyo, chairman of the Capital Investment Co-ordination Board. They were to have involved public expenditure of more than $100m.

These projects will now be open for the private sector to undertake, but there seems little chance that they will go ahead now. A number of Japanese companies had been singled out as contractors.

Indonesia is seeking $2bn in foreign aid to help finance a current account deficit projected at $6.5bn for the current financial year ending next March.

The decisions on rescheduling another $5bn worth of projects, in additions to others with a similar total valoe already cut, follows President Suharto's order nearly two weeks ago that all projects requiring commercial credits or foreign exchange should be renegotiated.

Labour Party loses ground in opinion polls

BY PETER RIDDELL, POLITICAL EDITOR

THE Conservative Party has slightly improved its already strong position since the general election campaign started. Labour has started to slip back in the past few days and there are tentative signs of a pick-up in the rating of the SDP/Liberal Alliance.

These are the main conclusions from the accompanying table listing the 12 nationwide polls published in the week to Sunday.

Many of the fluctuations in the figures are due to random statistical variations in the samples of this size but some trends are clear.

- The Conservatives have maintained an unprecedentedly large lead with only minor variations, in the past three weeks. If anything, the gap has increased marginally as four out of the six main polling organisations report a rise in the Tory share of the vote in the past week to 10 days.
- The fractional improvement in Labour's position in the week to May 21 has now been reversed. Five out of the six main polling groups show a fall in Labour's rating in their latest surveys, the exception being a poll taken before the row over the party's nuclear weapons policy.
- A slight pick-up in the position of the Alliance is suggested by the polls published at the weekend, but the rise is well within the statistical margin of error and it does not yet confirm a new trend.

These conclusions were underlined in a Harris Research poll of 44 key marginal seats for the Weekend World television programme. This survey, undertaken between May 25 and 27 gave the Tories a lead of six points, up from two points a week earlier. This equivalent to a 13 point lead nationally.

A separate Harris survey of more than 800 people in 20 seats where the Liberals came first or second at

the last election (all now being contested by Liberals) shows a clear improvement in the Alliance position – up to 36 per cent compared with 28 per cent in a similar survey a week earlier.

Over the period the Tory share fell from 48 to 43 per cent, with the Labour rating down from 24 to 20 per cent.

Apart from voting intentions, the latest polls also suggest that Labour is losing in voter preferences on the key issues, notably defence and inflation.

OPINION POLLS

Poll and date	Sample size	Cons	Lab	Alliance (per cent)	Others	Cons lead
General Election May 3, 1979		45	38	14(Lib)	3	7
Range of 11 taken May 11/20		44/49	30/37	16/22	0/3	7/18
Gallup (Telegraph) May 20/23	1,700	48	33	18	1	15
MORI (Star) May 23	1,068	51	33	15	1	18
Audience Selection (TV-AM) May 23	1,071	45	32	20	3	13
NOP (Mail) May 23/24	1,104	52	33	14	1	19
Audience Selection (Sun) May 24	557	45	32	21	2	13
Marplan (Guardian) May 23/25	1,422	47.5	32.5	19	1	15
Harris Research (TV-Eye) May 24/26	1,034	48	33	18	1	15
MORI (Express) May 26	1,086	51	29	18	2	22
MORI panel (Sunday Times) May 24/25	1,023	46	30	23	1	16
Gallup (Telegraph) May 24/26	2,015	49	31.5	18	1.5	17.5
Harris Research (Observer) May 26/27	1,029	47	30	21	2	17
Marplan (Sunday Mirror) May	1,325	49.5	31	19	0.5	18.5

Jenkin casts doubt on deal between BSC and U.S. Steel

BY IAN RODGER

MR PATRICK JENKIN, the UK Industry Secretary, has expressed doubts that a satisfactory deal can be concluded under which the British Steel Corporation (BSC) would supply crude steel to the U.S. Steel Corporation on a long-term basis.

In an interview after yesterday's Conservative press conference, Mr Jenkin said he favoured in principle the internationalisation of the steel industry in ways such as the proposed deal, rather than have many countries protect their own steelmakers.

But the British Government had been taken aback by the suggestion that BSC would have to make a very large initial investment in its deal with U.S. Steel. There have been reports that this might be as large as £100m.

"That would be very difficult for the British Government," Mr Jenkin said. "And why can't the Americans make a balancing investment in us?"

He was also concerned that deliveries of British steel under the proposed arrangement might fall foul of U.S. Government regulations.

"It's all very well to get assurances from the present Administration, but we would want something very strong indeed for the longer term," he said.

If the deal goes ahead, it would probably mean that all the steel produced at Ravenscraig would go to the U.S. and the plant'a big strip and plate mills, employing some 1,200 people, would have to be closed.

But Mr Jenkin was not yet prepared to face this consequence. "That is another question, and we would have to look at it very carefully. Ravenscraig is doing extremely well now," he said.

Mr Jenkin said that regardless of the outcome of negotiations with U.S. Steel, steelmaking at Ravenscraig would continue, in line with the Government's policy statement last December.

Negotiations between BSC and U.S. Steel have been under way for some months. The idea is to phase out crude steel-making at U.S.


Jenkin: seeking a long-term assurance

Steel's Fairless works near Philadelphia and use up to 3m tonnes per year of British steel in its finishing mills, which would be modernised.

Trade unions in both the U.S. and Britain have been opposing the plan vigorously because of the job losses involved. But steelmakers from several other countries are competing with BSC for the opportunity to supply Fairless. A decision is expected by the end of June.

John Hunt sits in at a Transport House ritual

Angling after Williamsburg

LABOUR's erratic election campaign took a plunge into the theatre of the absurd at the ritual Transport House press conference in London yesterday.

Journalists had expected some heavyweight statement to be made on the Williamsburg summit, but Mr Michael Foot, the Labour leader, dismissed the affair in a few lines.

The star turn, however, was Mr Denis Howell, one of Labour's environment spokesmen who made his name a few years ago when a prolonged drought came to an end a few days after he was appointed Minister for Water Resources.

Now, the old rainmaker seemed more intent on winning working-class votes by promising that Labour would bring the final games of the World Cup back to Britain.

A suspicious German reporter wanted to know if this was a solemn and binding undertaking. Immediately, Mr Howell took refuge in a rather vague formula which seemed to involve grants to improve facilities for UK football clubs.

But it was the subject of angling which brought out his greatest histrionic talents with a question-and-answer dialogue which seemed worthy of Harold Pinter

In its unpredictable fashion the Labour Party had planned a second press conference two hours later and reporters were told that Mr Dennis Healey, the deputy leader, would give his costing of the Tories' programme.

When journalists reassembled, however, there had been yet another switch. After complaints about the triviality of questions and replies there had been a meeting of the campaign committee and the theme was now to be the Williamsburg summit.

A behind-the-scenes coup seemed to have taken place and Mr Healey was now playing David Steel to Mr Foot's Roy Jenkins. Footie had been removed to the left of the stage with Mr Healey firmly in the centre. The entire campaign committee trooped on.

Why was Labour prepared to help angling when it wanted to abolish fox hunting?

Mr Howell might have come clean and admitted that it was because of all the votes of the working-class and of those who line the banks of rivers and canals at the weekend. Instead, he replied that angling was not cruel, but was a recreational sport.

Was he suggesting that a hook was not painful to the mouth of the fish?

Perhaps he saw a distinction between fishing for pleasure and fishing for food? Reply: "I don't think so – at least, not for the fish."

Leaving these confusing scenes behind us reporters went over to Conversative Central Office to watch a quieter performance under Mr Cecil Parkinson, party chairman, who was in control in the absence of Maggie.

Lined up were three ministers who have been tipped as future Chancellors – Mr Nigel Lawson, Energy Secretary, Mr Patrick Jenkin, Industry Secretary, and Mr Leon Brittan, Chief Secretary to the Treasury. Mention of the race for the top Treasury job brought coy smiles and oblique disclaimers.

Uncertain allegiance of young jobless

BY ALAN PIKE

YOUNG PEOPLE eligible to vote for the first time are credited with having played a decisive part in determining the outcome of some previous general elections.

This year's first-time voters have an additional distinction. An overwhelming proportion of them will either be unemployed on June 9, or will already have had some experience of unemployment. If unemployment is, understandably, a central issue in this election it should be even more of one among the young – 1.3m people under 25 are currently registered as unemployed.

A National Opinion Poll of more than 1,000 first time voters commissioned by the BBC this week, confirmed the central significance of unemployment – 79 per cent identified it as the most important issue. For many it was a matter of personal experience.

The sample included 23 per cent of unemployed young people and 37 per cent who had been unemployed at some time during the past year.

In spite of young people's concern about unemployment, the poll did not provide evidence that too many of them hold the present Government to blame.

A majority said that they intended to vote Conservative – in contrast with a poll of the young unemployed in the Economist Intelligence Unit's "Coping With Unemployment" survey last year, which gave Labour the greatest support.

What is far less certain is how many of the young unemployed will vote at all. Ken Roberts, in the sociology department of Liverpool University, who investigated the attitudes of unemployed 16–20 year olds in 1980–81, commented this week: "Eighty per cent said they would not vote and were quite vociferous in saying that they had no interest in politics."

Tories reopen attack on 'dangerous Alliance'

BY IAN RODGER

MR CECIL PARKINSON, the Conservative Party chairman, reopened his party's attack on the SDP-Liberal Alliance at the weekend, calling it a "dangerous diversion" thet might lead to a Labour victory.

Referring to the Alliance summit meeting at the weekend Mr Parkinson said at yesterday's Conservative press conference: "It was staged for your benefit and there is very little significance to it except that it got them a lot of publicity."

Mr Parkinson said the Labour Party remained "far and away" the greatest threat to the Tories in the election, and complained that the Liberal Party, "which is what the Alliance is rapidly becoming," had helped Labour in every election.

Mr Nigel Lawson was pressed to elaborate on the Conservatives' commitment to increase competition in, and attract private capital to, the gas and electricity industries.

He distinguished between the public utility parts of these industries – the transmission and distribution of electricity and gas – and the other parts, indicating that privatisation of the utility parts would be "very complicated."

The Government would have to set up a full-scale regulatory system because it was not in favour of private monopolies that would exploit the consumer.

UK NEWS

UK close to deals on spot market oil

THE British National Oil Corporation (BNOC) is understood to be close to concluding term-contracts for the bulk of the North Sea oil which for nearly four months it has been forced to dispose of on the spot market.

About 120,000 barrels a day, or nearly one-sixth of the oil which it markets after selling back participation crude to producers, has been involved in transactions resulting in undisclosed losses.

These losses have been reduced since the gap between official selling prices and spot market rates closed significantly last month after the Organisation of Petroleum Exporting Countries' pricing and production pact.

BNOC has been charged by the Government with making a pre-tax trade profit of £10m in 1983. That compares with one of £1.9m achieved in the last five months of 1982 after its former exploration and production interests were hived off to form the privatised company Britoil.

BNOC was forced to resort to the spot market on a substantial scale after Gulf Oil decided not to renew its contract for more than 100,000 b/d at the end of January.

Warning on drop in manufacturing

STANDARDS of living in the UK are threatened by a continuing decline in manufacturing industry, the London Chamber of Commerce and Industry warns today.

The chamber says in a paper examining the de-industrialisation process that improvements in the service sector are unlikely to make up the shortfall in employment or overseas earnings resulting from a decline in manufacturing.

It would appear, concludes the paper, that while the process of de-industrialisation may well slow down through the 1980s, "it will still have an adverse impact on standards of living in Britain which the operation of market forces is unlikely to correct."

Mail order threat

THE decision of the British Mail Order Corporation (BMOC) to pre-sort its own parcels from next year could lead to big losses in the Post Office, according to the Union of Communication Workers (UCW). The corporation is one of the Post Office's biggest parcels customers. A statement that went before a private session of the UCW conference yesterday estimated that 600 jobs might be lost in sorting offices if the plan went ahead. BMOC already pre-sorts some of its business and other mail order companies pre-sort all their business but the UCW claims that BMOC's decision is likely to be followed by other companies and the total job loss might be as high as 1,500.

Pottery sector hit

A SURVEY by the Ceramic and Allied Trades Union at Stoke-on-Trent has revealed that shopfloor workers in the pottery industry have been almost halved in the past five years to 27,500.

Mr Alf Clowes, the union's leader, said: "It leaves us with an industry whose size is only 55 per cent of its position in 1978. All Western countries are battling against Far East imports in the ceramic field."

Thirst quenched

EUROPE's thirst for fruit juice is finally coming under control after consumption doubled to 3.4bn litres in the decade to 1982, it was suggested at a seminar organised by Canadean, the London business research organisation.

A survey of the European fruit juice market showed that although likely to grow considerably faster than most other soft-drink categories, sales of fruit juice were not expected to maintain the double-digit growth rates of the 1970s.

Property optimism

THE GLOOM in Britain's commercial property markets has been overdone, said one of the country's top investment managers. Mr Peter Simon, investment director of the Legal and General Group, in a paper, "A perspective on property markets," said much of the gloom was based on superficial analysis and insufficient evidence.

Policy crisis

UK regional policy is in a state of crisis and only a wide restructuring of it will produce the sort of approach necessary for the regions to be regenerated over the next 10 to 15 years. This is the view of two Cambridge dons in two papers forming part of the current Regional Studies Association's review of regional policy.

New air link

A SCHEDULED airline service started yesterday, between Dublin and the East Midlands airport near Derby, operated by the Irish independent airline, Avair.

Tough takeover bid battles

BY CHARLES BATCHELOR

THE multi-million pound takeover bids which have rocked the City of London in recent months have forced the companies involved to turn increasingly to the advertising agency and the professional lobbyist to back their traditional advisers — the merchant banks.

An executive with one of the City's financial press relations groups commented: "Takeovers are getting bigger and bigger. More and more money is being spent as it becomes ever more crucial to get every shareholder's vote. Companies are saying, 'We must advertise and to hell with the expense.' When the sums were smaller they were not prepared to do it."

The £290m bid from Trafalgar House for P & O is in its early stages but P & O's rejection of the offer as "derisory" suggests a long and bitter battle is ahead.

The £660m bid from industrial conglomerate BTR for fellow industrial holding group Thomas Tilling is now being fought out in the advertising columns of the national press as both sides attempt to woo the Tilling shareholders.

The successful £230m bid from Hanson Trust, another industrial conglomerate, for the UDS retailing group was also aided by the skills of the professional advertising agency.

Advertising campaigns are nothing new but the close involvement of Saatchi and Saatchi in the Trafalgar House campaign for the hearts and minds of P&O's shareholders is an innovation. Saatchi is best known for its political and consumer-oriented advertising and has previously had little involvement in the financial field. This has traditionally been the preserve of specialised City-based public relations and advertising agencies.

Mr Eric Parker, managing director of Trafalgar House, said: "Saatchi were working on the 'champagne glass' campaign for our Cunard subsidiary, showing their ships afloat in a champagne glass. I suggested they might like to look at this acquisition. We wanted a document that was fairly easy to read."

Mr John Spratling, deputy managing director of Saatchi, said: "Advertising in bid battles is a growing trend and we have found ourselves being asked to advise more often.

"Our ability is to take the main point of an argument and present it in a dramatic and appealing way. We advised Trafalgar House on the presentation of their press release and to some extent on the contents. You have to choose what information you present at a particular point in time.

"It is quite a challenge to use our skills in an area which has been ignored in the past."

Mr Julian Wellesley, chairman of Charles Barker, an important advertising and public-relations agency specialising in financial accounts, doubted if this was a field for the consumer agency.

"This is a very specialised activity. Very few people have the understanding to give the service needed by companies in this position. Because the timescale of a takeover bid is so short, it is important to get out your message in a short space of time. The gun has to be loaded and fired at short notice."

Some companies are finding that political lobbying can help their case. Sotheby's called in the professional lobbying skills of GJW Government Relations to devastating effect in its defence against the unwelcome attentions of two U.S. businessmen, Mr Stephen Swid and Mr Marshall Cogan. The Americans' offer was referred to the Monopolies and Mergers Commission by Lord Cockfield, Trade Secretary, against the advice of the Office of Fair Trading, after an intensive lobbying campaign of strategically placed MPs.

Irish may set up rival satellite

By Raymond Snoddy

THE BBC could be facing competition on satellite broadcasting from an unexpected quarter — across the Irish Sea.

Ireland, like the UK, was awarded in 1977 the right to run five satellite channels, and the Irish are now considering whether to go ahead with a direct broadcast satellite operation which would inevitably cover all the UK.

An inter-departmental committee set up under the Irish Ministry of Posts and Telegraphs is due to report in two months' time. The committee will come under pressure from Irish broadcasters to recommend that Ireland should push ahead with its own satellite operation.

If the Irish Government approves, Ireland could have one channel, or possibly two, in service by 1987-88. The BBC is due to begin satellite broadcasting in September 1986.

The Irish have the right to use a satellite in the same orbital position — 31 degrees west — as the Unisat satellite due to carry the two BBC channels. From this position Irish channels could be beamed all over the UK.

Mr George Waters, director-general of Radio Telefis Eireann (RTE), the Irish broadcasting corporation, said he could not speculate on the outcome.

RTE had made it clear, however, that it wanted to run a satellite operation, and Mr Waters said hardly a week passed without some offer of a joint venture coming from either the U.S. or Britain. Clearly, RTE would like to beam its programmes at the substantial Irish community in the UK.

Unlisted shares plea

BY CHARLES BATCHELOR

THE STOCK EXCHANGE Council has told stockbrokers that the shares of companies coming to the Unlisted Securities Market (USM) should be placed as widely as possible with the investing public and not kept "in-house" for their own members and employees.

The placing of new USM stocks should not be used to provide profits for stockbrokers, their employees, families or organisations such as pension funds from which they would benefit, the council said in a letter to the senior partners of the more than 200 stockbroking member firms.

There has been growing concern within the council that investors were not getting a fair share of the stocks of companies coming to the USM, which was formed two-and-a-half years ago.

The requirement that companies need place only 10 per cent of their shares on the USM compared with a minimum of 25 per cent on the Stock Exchange has meant that only a limited number of shares are available anyway.

Strike threat overhangs Ford efficiency talks

BY BRIAN GROOM, LABOUR STAFF

FORD and its unions are still searching for agreement on more than 20 per cent of the proposed efficiency measures that have provoked the threat of a new strike at the Halewood body plant, on Merseyside, according to union leaders.

These have been identified in three visits to the plant by a joint working party, and will be discussed tomorrow at a meeting in London of the full national negotiating committee for manual workers.

Both sides are keen to settle the dispute peacefully, but in the background lies e vote, taken three months ago by the 4,000 body plant workers, to strike if Ford imposes the disputed changes.

Ford is demanding more flexibility in an effort to close the productivity gap with Halewood's sister plant at Saarlouis, West Germany. The changes are part of a programme of 1,300 voluntary redundancies among the 9,700 Halewood body and assembly workers.

They include, for example, requiring the worker at the end of a body panel press line to move a pallet full of completed panels to one side and push an empty one into place, rather than summoning a material-handler, which can delay production by up to 15 minutes.

Ford denies that the changes breach demarcations between skilled and semi-skilled workers and are paid for under existing efficiency agreements. But unions say some changes cut across the national job-evaluated wage structure. They want to negotiate a price for them.

Mr Ron Todd, the unions' chief negotiator, said: "If we failed to get agreement, and the company tried to impose these changes, then we would be back in the position where the Halewood lads said we would be. But hopefully we will be able to make our way through the problem."

The strike threat was made et a meeting attended by only 1,000 body plant workers while they were laid off during the month-long stoppage et the adjacent assembly plant, over the dismissal of Mr Paul Kelly, e production worker, for alleged vandalism.

Ford claims that last week's inquiry report into the Kelly affair disproved allegations by shop stewards that the dispute was engineered by the company to soften resistance to the impending efficiencies.

The inquiry said sacking was the wrong punishment for Mr Kelly, but implicitly backed the company's case that he had deliberately bent an 86p bracket on an Escort car.

● The high-performance XR4i version of Ford's Sierra is to go on sale in the UK on June 7, John Griffiths writes.

It will cost £9,170, including all taxes.

Banking faces '10% jobs cut by 1990'

By Our Labour Staff

UNION FEARS that new technology will reduce employment in banking have been fuelled by e study which says that up to 10 per cent of existing bank jobs in Europe may be lost by 1990.

An interim report submitted to the European Commission by Professor Emile Kirchner, of Essex University, concludes that 1982 was probably the year of peak employment. His findings are reported in the letest edition of Retail Banker International.

Prof Kirchner interviewed executives from more than 100 banks, as well as trade unionists. He believes secretarial and clerical jobs will be most affected by new technology, though all will be affected to some extent.

However, the report says thet electronic payment at supermarket checkouts and home banking are unlikely to have much impact before the 1990s.

Fiet, the Geneva-based private-sector white-collar unions' international body has already said that up to 250,000 European bank jobs – 10 per cent of the total – could be lost over the next decade because of new technology.

● A leading international trade union leader bas said that workers have no reason for viewing robots as their enemies.

Mr Herman Rebhan, general secretary of the International Metalworkers Federation (IMF) – with 165 affiliates totalling 14m members – has said: "In many cases robots take over work that is physically dangerous or boring. Struggling with the fumes and fire of a welding torch in a confined space is more punishment than pleasure, and if a robot can take over such a task we should not complain."

Mr Rebhan's views, published in a special publication, "Decade of Robotics," are important because of the influence they will have on the IMF's affiliates, and because he expresses a view common among many leading trade unionists – though rarely publicly expressed.

He is careful, however, to stress the desire by the metalworking unions for joint consultation and, where possible, joint control over the introduction of robots in plants.

FT Grocery Price Index up in May

By Our Consumer Affairs Correspondent

A RISE in the price of fresh produce caused by the wet weather during the past month led to a significant increase in the Financial Times Grocery Price Index for May.

The index for May stood at 151.57, compared with 150.25 in April.

The fresh fruit and vegetable section of the shopping basket rose in cost from £330.28 in April to £344.42 in May. This clearly reflects the problems caused by the continued rainfall in recent weeks.

Apart from the rise in the fresh produce sector of the basket, other sectors showed little change from last month's prices.

The index is meant only as a guide to trends in food prices and should not be taken as an absolute indicator of price levels.

The grocery price index is compiled from data supplied by 25 shoppers who monitor the same 100 grocery items every month in a range of stores. These range from large superstores down to small village grocers throughout the UK.

'Vigorous' economic recovery forecast

BY JEREMY STONE

THE UK economic recovery is described by Professor Patrick Minford as "vigorous and rumbustious" in today's issue of the Liverpool University economic bulletin. The Liverpool forecast is for a 3 per cent growth in output this year, rising to nearly 5 per cent in1984, while inflation – under a new Conservative administration – would average less than 2 per cent in 1984.

Professor Minford warns that there will need to be firm evidence of a restraining monetary and fiscal framework to stop inflation from reviving. He writes that the Conservatives' overriding objective of reducing inflation to zero implies that money supply growth should come down to between 2 and 5 per cent while public borrowing falls to less than 1 per cent of gross domestic product (GDP).

Under the Conservative case assumptions GDP should grow about 3.6 per cent a year until 1986, while unemployment falls to 2.2m and inflation declines to 0.9 per cent in the last year of the forecast. The exchange rate steadily appreciates, reaching 95 per cent of its 1975 value by 1986.

Under a Labour government, the forecast predicts that inflation peaks at 17 per cent in 1984, while sterling is rapidly devalued, reaching 55 per cent of its 1975 value by 1986. Because of this devaluation, unemployment falls slightly more than in the Conservative case, to 1.9m.

The Liverpool forecast, remarkably, does not even predict that Labour's reflation would produce faster growth in its earber years. Indeed, financial crises are considered likely to drive interest rates so high by 1984 that real growth is choked back to only two-thirds of the rate projected under Mrs Thatcher.

The forecast also examines the possible effect of a centrist coalition, linking the Liberal-Social Democrat Alliance with the Conservatives. Under this outlook recovery continues at much the same pace as under the Conservatives, but with average inflation over the next four years up from 2.3 to 5.6

Quarterly Economic Bulletin, Liverpool Research Group in Macroeconomics, University of Liverpool, (051) 709 6022.

UK NEWS

COMMERCIAL LAW REPORTS

Evidence must justify Mareva variation

A v B-X INTERVENING
Queen's Bench Division (Commercial Court): Mr Justice Parker: May 19, 1983.

AN INTERVENOR who seeks to vary a Mareva injunction so that a debt of honour owed to him by the defendant can be paid out of frozen assets must satisfy the court that there is no intention to defeat the underlying purpose of the injunction; and variation will be refused if he cannot show that the debt specifically relates to the frozen assets and that at the date of the injunction he had an existing right to be paid from that source.

Mr Justice Parker so held when dismissing a chambers application by "X Ltd" as intervenor, for variation of a Mareva injunction by which assets of the defendant to an action to which X was not a party were frozen to prevent their dissipation before trial. The parties were not named.

HIS LORDSHIP said that on September 24 1982 the plaintiff obtained a Mareva injunction against the defendant freezing all his assets within the jurisdiction up to $13.2m.

The plaintiff's claim in respect of which the injunction was granted for moneys due on closure of a commodity account.

The plaintiff also obtained an order for an affidavit disclosing the defendant's assets of certain descriptions within the jurisdiction, including bank accounts. On October 19 the defendant swore an affidavit disclosing four bank accounts with credits totalling about £8,000.

At the date of the injunction the defendant owed the intervenor, "X," £400,000, on cheques drawn on August 19 and dishonoured on September 13.

X now applied to the court for variation of the injunction to permit the defendant to pay £400,000 from his assets within the jurisdiction.

The evidence was that the debt had never been disputed and the defendant had given temporary cash flow problems as his explanation for dishonour. It was said that on several occasions the defendant had expressed himself willing and able to discharge his debt to X.

There was no evidence to show from what source the defendant wished to pay the £400,000. He had made on application himself. Nor had he come forward to support X's application.

In correspondence leading up to the application the plaintiffs had contended that the debt was unenforceable and that it was not incurred in the ordinary course of business.

It would not matter if the debt were unenforceable, for a Mareva injunction was not to be used to prevent a person meeting debts of honour (which this clearly was), so long as the court was satisfied that his desire to use frozen assets was not merely to evade the underlying purpose of the injunction.

The fact that the debt was not an ordinary business debt was equally of no importance. If a man had purchased for his own pleasure a valuable picture or piece of furniture, the injunction was not to be used to prevent him from paying the purchase price – subject to the qualification that the court was satisfied that in doing so he was not evading its underlying purpose.

The plaintiff's main objection to the variation was that the court had no material on which it could be satisfied that the payment, if made, would not evade or defeat the underlying purpose of the injunction.

X, on the other hand, contended that whereas a defendant would have to satisfy the court on that matter if making the application himself (see: *A v C (No 2) [1981] 1. B 956)*, an intervenor was in a better position and had merely to show that the debt was incurred prior to the injunction.

That submission was correct when the intervenor was a bank seeking to exercise pre-existing rights of set-off in respect of assets caught by the injunction in its own hands (see: *Oceanica Castelana (1983) 2 All ER 65)*.

It would also be correct in some circumstances, where the intervenor was claiming under an agreement specifically relating to frozen assets which were not in his own hands.

In the present case, however, the position was different. X was claiming a simple debt which did not specifically relate to the assets caught by the Mareva, save in one possible respect, namely that the dishonoured cheques were all drawn on an account which, at the date of the defendant's affidavit, was in credit to the extent of £8,700.

The court must carefully guard the rights of third parties, but it could not dispense with the need to be satisified as to the justification for a variation when a defendant told a third party he was willing to pay and left it to him to apply.

The purpose of the injunction would not be defeated if the £400,000 were to be paid either out of assets within the jurisdiction which exceeded $13.2m, or out of assets outside the jurisdiction; but in neither of those cases would a variation be required.

Nor would it be defeated if the £400,000 were to be paid out of assets within the jurisdiction not exceeding $13.2m, and there was no other source from which the money could come.

Whether the application was made by the defendant or by his creditor, the court should be satisfied by evidence that, in allowing the payment to be made out of frozen assets, it was sanctioning no more than a payment which would normally have been made out of such assets had there been on injunction.

In the present case there was no evidence on which the court could be so satisfied. If the defendant wanted to make the payment he could make an application himself or possibly provide X with the necessary evidence.

Alternatively, X could proceed to judgment, in which case it would have no difficulty in executing upon any assets it might find within the jurisdiction.

At the date of the defandant's affidavit moneys were standing to the credit of the bank account on which the cheques in favour of X were drawn.

If cheques were drawn on an account which was in credit at the date of the injunction and the defendant desired that they should be met to the extent that the credit allowed, there was no reason why an injunction should not, in most cases, be varied to allow the payment to be made from that account.

If the cheques were drawn before action and injunction, there was no question of defaulting the purpose of the injunction. At the time it was granted the creditor had an existing right to be paid from that particular source.

In the present case, however, there was no evidence of the state of the account as at the date of the injunction. All that was known was that the cheques were returned by the bank on September 15 marked "refer to drawer," and that on October 19 the credit balance was £8,700.

For the plaintiff: Christopher Clarke (Linklaters & Paines)

For the intervenor: Charles Gibson (Kingsley Napley & Co)

By Rachel Davies
Barrister

Admiralty Court chart ruling revoked

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SHIPOWNERS are responsible for ensuring that their vessels are supplied with up-to-date and accurate charts, the Court of Appeal has ruled.

It is not sufficient to leave the matter to the ship's Master. There must be a management-instituted system for chart correction, and spot checks by management representatives, the court said.

It allowed an appeal against an Admiralty Court decision that the owner of a Liberian tanker, whose anchor damaged a North Sea oil pipeline, could limit his financial liability for the damage under the Merchant Shipping Acts.

The Acts provide for such a limitation if the owner can demonstrate that the damage was not caused as a result of the way he manages his business.

The Admiralty Court's ruling had been challenged by oil companies using the pipeline from the Ekofisk field to Teesside, which was severely damaged by the tanker Marion's anchor.

The vessel's owner, Grand Champion Tankers, admitted that the damage had been caused by the negligence of the Master, who had been using uncorrected charts on which the pipeline was not shown.

But, the company argued, that was not something that stemmed from the way its business was run.

Lord Justice Dunn said that the Marion was managed by the London-based Fairfield Maxwell Services, and the question was whether they and, through them, Grand Champion Tankers were at fault.

They argued that they fulfilled their duty by promptly supplying the Marion's Master with the charts he asked for, and with published alterations and corrections.

Lord Justice Dunn said that if, as had been asserted, that was a common practice with chart correction being left to a ship's Master it was fraught with danger.

"If, as here, the Master is grossly negligent, and effectively operates no system for the correction of charts, that will not come to light unless and until there is a casualty," he said.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY

DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal 49 cts
Greenbank Industrial Hldgs 1.3p
Leumi Intnl Invs NV Gtd Fltg Rate Nts Nov 1989 $51.53
Southampton, IOW and SOE RM Steam Pkt 5pcPf 1.75p

TODAY

COMPANY MEETINGS—
Amalgamated Metal Corp, City Conference Centre, 78, Mark Lane, E.C., 10.00
Assoc British Ports Hldgs, London Press Centre, 76, Shoe Lane, E.C. 12.00
Chepstow Racecourse, Racecourse, Chepstow, 12.00
Clarke, Nickolls and Coombs, Beacontree House, 82, Romford Road E., 12.00
Dunlop Hldgs, Cafe Royal, 68, Regent Street, W., 12.00
Kennedy Brookes, J.B.'s Brasserie, Plantation House, Mincing Lane E.C., 9.30
Upton (E.) and Sons, Upton Restaurant, 175/185, Linthorpe Road, Middlesbrough, 7.30

BOARD MEETINGS—
Finals:
Audiotronic
Dominion Intnl
Globe Inv Tst
Inchcape
Nimslo Intnl
Readicut Intnl
Transparent Paper
Interim:
MEPC

DIVIDEND & INTEREST PAYMENTS—
Aberthaw Cement 7½pcPf 2.625p
Ace Belmont Intnl 10pcPf 5p
Adams and Gibbon 7½pcPf 2.625p
Advance Services 5½pc2ndPf 1.035p
Alexander and Alexander Services Inc 25 cts
Allen (Edgar) Balfour 7¾pcDeb 1987-02 3⅞pc
Allied-Lyons 5½pcPf 1.925p
Do. 7½pcPf 2.625p
Anchor Chemical Group 6pcPf 1.05p
Anglo Nordic Hldgs 10pcCnvLn 1988 3.307p
Armitage Bros 7½pc1stMtgDb 1985-90 3¾pc
Ash and Lacy 10p
Babcock Intnl 3.8p
Baker Perkins Hldgs 5¾pcDb 1970-84 3⅞pc
Do. 6½pcDb 1981-86 3¼pc
Bank America Corp 38 cts
Bank of Baroda Fltg Rate Nts 1990 $380.52
Bank of Ireland Fltg Rate Cap Nts 1990 $34.12
Bankers Inv Tst 0.8p
Do. 3.5pcPf 1.75p
Beecham Group 6¼pcLn 1978-83 3⅛pc
Do. 6pcLn 1978-83 3pc
Bell (Arthur) and Sons 7¼pcDb 1986-01 3⅝pc
Bergen Bank AS Fltg Rate Cap Nts 1989 $24.12
Berni Inns 7¼pcMtgDb 1988-91 3⅝pc
Black and Edgington 5pcPf 1.75p
Boddingtons Breweries 6pcRedDb 1987-92 3pc
Brascan Class A Cnv NPV 49 cts
Bridport-Gundry 1.1p
Britannia Arrow Hldgs 8¾pcPf 2.3625p
Bryant Hldgs 8pcPf 2.8p
Burroughs Machines 5½pcCnvLn 1980-85 2¾pc
Cadbury Schweppes 3.5d
Canning (W.) 7½pcLn 1988-93 3¾pc
Capital and Counties 8⅝pc1stMtgDb 1995-2999 3⅞pc
Carlton Inds 10pcPf 3.5p
Carter Hawley Hale Stores Inc 30.5 cts
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts May 1984 $78.58
Do Gtd Fltg Rate Nts May 1984 $79.05
Continental and Ind Tst 5½pcRedDb 1983-88 2¾pc
Cropper (James) 9pcLn 1994-99 4½pc
Crouch Group 9pcCnvLn 1993-96 4½pc
Dawson Intnl 7pcDb 1985-90 3½pc
Do. 7½pcDb 1985-90 3¾pc
Do 10¼pcDb 1990-95 5⅛pc
Dutch Hldgs 1.1p
Dualvest 3.786p
Dunlop Plantations 2.1d
Dunton Group 12pcCnvRedPf 1997-2002 6p
Edinburgh Securities Company 9.15d
English Electric Co 6pcDb 1980-85 3pc
European Ferries 4½pcRedPf 1074-84 1.575p
FFI (UK Finance) 6¼pcDb 1981-94 3⅛pc
First Castle Electronics 1.05p
Fitch and Co Design Consultants 2.8p
Fundinvest 1.084p
General Electric Co Fltg Rate Cad Nts 1986 £5.4849
Gestetner Hldgs 10pcCnvLn 1990-95 5pc
Green Kiap and Sons 6¼pcLn 1988-93 3⅛pc
Harris Queensway 4p
Harrison Cowley (Hldgs) 2.7p
Herman Smith 0.2p
Homestake Mining 5 cts
Horne Bros 7pcPf 2.45p
Do 7¼pcLn 1995-2000 3⅝pc
Hughes Tool Co 21 cts
Hydro-Quebec 15pcLn 2011 7½pc
ICL 6¼pcDb 1981-86 3⅛pc
Imperial Chemicals Inds 7¼pcLn 1986-91 3⅝pc
India (State of) Fltg Rate Nts 1987 $53.77
Intnl Comm Bank of China Fltg Rate Nts 1983 $537.15
Isle of Man Enterprises 4p
Jersey General Inv Tst 5½pcPf 2.75p
Johnson Matthey 5½pcDb 1985-90 2¾pc
Kaiser Aluminium and Chemical Corp 15 cts
Law Debenture Corp 4pc2ndDb 1976-88 2pc
Do. 4pc3rdDb 1083-88 2pc
Do. 5pc2ndDb 1983-88 2½pc
Lewis (John) Properties 5½pcMtgDb 1984-89 2¾pc
Do. 6¼pcMtgDb 1984-89 3⅛pc
Linfood Hldgs 12pcCnvLn 1988-98 6pc
Lloyds Eurofinance NV Gtd Fltg Rate Nts 1983 $52.77
London and European Group 10½pcLn 1993 5¼pc
Low (Wm.) and Co 2.5p
McCorquodale 6¼pcLn 1990-95 3⅛pc
Do. 8½pcLn 1994-98 4¼pc
Manufacturers Hanover Overseas Cap Gtd Fltg Rate Nts 1994 $23.8
Markheath Securities 8.48pcCnvPfd 7.3d
Mid-Sussex Water Co 4.025pc (Fmly 5¾pc) Red Pf 1980-85 2.0125p
Midland Bank 14pcSubLn 2002-07 7pc
NCR 4pcGtdLn 1993-98 2pc
Do. 8½pcGtdLn 1993-98 4¼pc
Northern Foods 7pcDb 1980-85 3½pc
Do. 7¼pcDb 1985-90 3⅝pc
Norton Simon Inc 27 cts
OK Bazaars (1929) 8pc2ndPf 6pc
Oesterreichische Kontrollbank AG Gtd Fltg Rate Dep Nts 1987 $11,289.42
Ogilvy and Mather Intnl Inc 41 cts
Ozalid Group Hldgs 8pc £/Gldr Cnv Ln 1987-92 4½pc
Peterson Zochonis 7½pcPf 3.78p
Do. 10pcPf 5p
RMC Group 6.5d
Raeburn Inv Tst 5pcPf 1.75p
Do. 4½pcCnvLn 1973-98 2.25d
Relvon Group 2.75p
Royal Bank of Scotland Group 5½pcPf 1.925p
Do. 11pcPf 3.85p
Royal Dutch Petroleum Co NV (Br) 4.85 Nfl
Sainsbury (J.) 6½pc1stMtgDb 1988-93 3¼pc
Sarahreek Hldg NV (Reg) 259 cts
Do. (Br) 260 cts
South Tyneside (Met Borough of) 12¼pc Red 1986 6⅛pc
Standard Chartered Bank Fltg Rate Cad Nts 1984 $52.45
Stoddard (Hldgs) 5pcPf 1.9774p
TR City of London Tst Dfd 1.25p
Talbot Motor Co 4pcDb 1974-84 2pc
Do. 0½pcDb 1984-89 2¼pc
Tesco Stores (Hldgs) 9pcCnvLn 2002-07 3.9205p
Trade Development Bank Hldgs SA (Reg)
Do. (Br) 150 cts
Travis and Arnold 7pcRedPf 2.45p
Tricentrol 5.6p
Twinlock 15pcLn 1976-99 7½pc
Unilever 18.87p
Unilever NV Fl4.56
Vosper 3p
Wade Potteries 10pcPf 5p
Wadkin 0.5p
Wagon Ind Hldgs 3½pcPf 0.875p
Waterford Glass Group 0.911p

TOMORROW

COMPANY MEETINGS—
Brammer, Glaziers Hall, Montague Close London Bridge, E.C., 12.00
Erith, Chartered Accountant's Hall, Moorgate Place, E.C., 12.00
Lamont Hldgs, North British Hotel, Princes Street Edinburgh, 13.00
Long and Hambly, Station Road, Great Billing, Northampton, 10.00
Lunuva (Ceylon) Tea and Rubber Estates, 1-4, Great Tower Street, E.C., 3.00
Richards (Leicester), Phoenix Iron Works, Martin Street Leicester, 13.00
Stanley (A. G.) Hldgs, Stanley House, Cray Avenue, Orpington, Kent, 4.00
Willis Faber, 10, Trinity Square, E.C., 12.00

BOARD MEETINGS—
Finals:
Allied Lyons
Anglo American Corp of South Africa
Bafelsfontein Gold Mining
Clydesdale (Transvaal) Collieries
Coalite
De La Rue
Dunhill
Energy Services and Electronics
Moss (Robert)
Samuel (H.)
Trans-Natal Coal
Wace Grp
Interims:
Fleming American Inv Tst
Gridpcland Exploration and Finance
Groofvlei Proprietary Mines
Kitchen (Robert) Taylor
Leeds
London Scottish Finance
Marievale Consolidated Mines
St Helena Gold Mines
Stilfontein Gold Mining
West Rand Consolidated Mines

DIVIDEND & INTEREST PAYMENTS—
AMAX Inc 5 cts
Agricultural Mortgage Corp 4½pcDb 1961-91 2¼pc
Ailsa Inv Tst 5pcPf 1.75p
American Brands Inc 87.5 cts
Anglo Scottish Inv Tst 4pcDb 1074-84 2pc
Asarco Inc 10 cts
Ashdown Inv Tst 3½pcPf 1.225p
Australia (Comm of) 6pc Reg 1981-83 3pc
Barnet Cord 12¼pc Red 1987 6⅛pc
Bell (Arthur) and Sons 2p
Birmingham District Council 12½pc Red 1985 6¼pc
Burnley (Borough of) 13pc Red 1987 6½pc
C.N.A. Invs 5pcPf 8pc
Cater Allen Hldgs 5pcPf 1.75p
Do. 4.2pc2ndPf 2.1d
Charter Tst and Agency 5pcPf 1.75p
Do. 6pcDb 1983-88 3pc
Charterhouse Petroleum 0.5p
Chubb and Son 6½pcPf 2.275p
Clarke, Nickolls and Coombs 3.25p
Continental and Ind Tst 8½pcPfd 1.925p
East African High Commission 8½pc 1980-84 2¼pc
Ellis and Goldstein (Hldgs) Ptpg Pf (6pc Cml) 1.75p
Emsley (John) 4½pcPf 1.575p
English China Clays 7½pcLn 1983-98 3¾pc
Do. 7pcLn 1998-2003 3½pc
Estates and General Invs 1.2p
Fialand (John) 3.25p
Fleming Mercantile Inv Tst 4¼pcPerpDb 2⅛pc
Fleming (Robert) Inv Tst 4pcRndDb 1965-1985 2pc
Foreign and Col Inv Tst 4¼pcDb 1982-87 2⅛pc
Do. 7¼pcDb 1980-94 3⅝pc
Fuller Smith and Turner 7¼pc1stMtgDb 1983-88 3⅝pc
General Cons Inv Tst 4¼pcAPf 1.4575p
Greece (Kingdom of) 5pc Public Works Stlg Ln of 1928 (Assd) 3pc
Do. 6pc Public Works Stlg Ln of 1028 Fdo Bds 1985 3pc
Greene King and Sons 4pcDb 1975-84 2pc
Hambros Inv Tst 3½pcPf 1.225p
Do. 6½pcDb 1081-86 3¼pc
Harris (Philip) (Hldgs) 7½pcPf 2.625p
Do. 8pcBPf 2.8p
Henlys 7½pcPf 2.635p
Hertfordshire County Council 5¼pc Red 1982-84 2⅝pc
Inco 5 cts
Ingersoll-Rand Co 85 cts
Invergordon Distillers (Hldgs) 2.5d
IU Intnl Corp 28.75 cts
Jamaica Public Service Co 7pc 1st Mtg Sg Fd Rnd Db Ser M 3½pc
Japan 4pc Stlg Ln of 1910 2pc
Jones (A.) and Sons 6½pcPf 2.275p
Kirklees Met. Council 11.6pc Red 2031 5.8pc
Lake View Inv Tst 5pcPf 1.75p
Law Debenture Corp 4½pcDb (Perp) 2¼pc
Lee Cooper Group 7pcPf 2.45p
Legal and General 11p
Leisuretime Intnl 0.0p
Lewis (John) Partnership 5pcPf 1.75d
Do. 7½pcPf 2.625d
Lister and Co. 5pcPf 17.75p
Do. 4pcDb Rnd 2pc
Lombard North Central 6pc1stPf 2.1d
Do. 5pc2ndPf 1.75d
London and Strathclyde Tst 4pcDb 1074-1984 2pc
London County 3pc Cons 1920 (or after) 1½pc
Do. 2½pc Cons 1920 (or after) 1¼pc
Malawi Railways 3½pc1stDb 1958-88 1¾pc
Manchester Ship Canal 5¼pcDedDb 1979-1984 2⅝pc
Metal Box 2.8pcRnd2ndPf 1.4p
Monsanto 5pcGtdLn 1992-97 2½pc
Do. 8¼pcGtdLn 1992-97 3⅛pc
Murray Caledonian Inv Tst 3½pcDb 1964-1984 1¾pc
Do. 4pcDb 1964-84 2pc
Do. 6pcDb 1083-88 3pc
Murray Northern Inv Tst 5½pcPf 1.925p
New Court Tst 4.125d
Ocean Transport and Trading 2.35p
Ontario and Quebec Railway Co 6pc Cap (Int Gtd by C.P.) 3pc
Do. 5pc Perm Db (Int Gtd by C.P.) 2½pc
Pentland Inv Tst 4½pcPf 1.575p
Do. 5pcPf 1.75p
Phicom 0.25p
Planet Group 1.5d
Radio Rentals (Hldgs) 6pcPf 2.1p
Reed Intnl 4½pcRedPf 1.575p
Do. 5½pcRedPf 1.025p
Reed Publishing Hldgs 4pcPf 1.4p
Do. 8pcPf 2.5p
Sale Tilney 5p
Salts (Saltaire) 7pcPf 1.225d
Save and Prosper Linked Inv Tst 7.40p
Scan Data Intnl 2p
Scottish Agric Sec Corp 7¼pcDb 1000-92 3⅝pc
Scottish Mortgage and Tst 3½pcRndDb 1980-85 1¾pc
Elincourt 7pcPf 1.225p
Sen'or Engineering Group 0.75p
Southampton Harbour Board 6¾pc Red 1085-98 3⅜pc
Standard Tst 3¼pcDb 1975-85 1⅝pc
Do. 5½pcDb 1983-88 2¾pc
Stock Exchange 7¼pcMtgDb 1990-95 3⅝pc
Stockholders Inv Tst 4½pcPf 1.575p
Do. 5pcPf 1.75p
Do. 5½pcPf 1.925p
TR Australia 5pcPf 1.75p
TR Trustees Corp 4½pcPf 1.575d
Tate and Lyle 5½pcDb 1080-85 2¾pc
Texas Eastern Corp 102.5 cts
Trans-Oceanic Tst 5pc1stDb 1080-98 2½pc
Do. 6pc1stDb 1084-89 3pc
Union Carbide Corp 85 cts
Wnr 3½pcLn 1¾pc
Watney Mann and Truman Hldgs 4¼pc Red Db 1676-83 2⅛pc
Do. 4¼pc Rnd Db 1988-93 2⅛pc
Do. 8½pc Rnd Db 1087-90 3¼pc
Websters Group 1.9p
Whitbread and Co 8¼pcRedDb 1987-92 3⅝pc
Do. 6½pcRndDb 1986-91 3¼pc

THURSDAY JUNE 2

COMPANY MEETINGS—
Commercial Bank of Near East, 107-112, Leadenhall Street, E.C., 11.00
Cussins Property Group, Savoy Hotel, Strand, W., 11.00
Davies and Newman Hldgs, Great Eastern Hotel, Liverpool Street E.C., 12.00
Green's Economiser Group, Connaught Rooms, Great Queen Street, W.C., 12.00
Hopkins and Horton, Midland Hotel, New Street, Birmingham, 12.30
Lilley (F. J. C.), Central Hotel, Gordon Street, Glasgow, 12.00
W.W. Group, Caress House, Pudsey, Yorkshire, 11.30

BOARD MEETINGS—
Finals:
Beecham
Bishop's Group
Castings
Century Oils
Computer and Systems Engineering
Harrisons and Crosfield
Rowlinson Securities
Triefus
UBM

DIVIDEND & INTEREST PAYMENTS—
Bestobell 7.8p
Brammer 3.0p
Caletero Finance Corp Gtd Fltg Rate Nts 1985 $53.98
Citicorp Overseas Finance Corp NV Gtd Fltg Rate Nts June 1984 $223.81
Eastern Produce (Hldgs) 3.5p

FRIDAY JUNE 3

COMPANY MEETINGS—
Burmah Oil, Central Hotel, Gordon Street, Glasgow 11.30
City and Commercial Inv Tst, 117, Old Broad Street, E.C., 12.00
Conder Intnl, Wessex Hotel, Winchester, 3.00
Cookson Group, 14, Gresham Street, E.C. 12.00
Grattan, Norfolk Gardens Hotel, Bradford, 13.00
Haden, 7-12, Tavistock Square, W.C., 3.00
Johnston Group, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Ladbroke Group, Ladbroke Westmoreland Hotel, Lodge Road, N.W., 11.00
Laporte Inds (Hldgs), Chartered Insurance Institute, 20, Aldermanbury, E.C. 13.00
Lyle Shipping, Trades House, Glassford Street, Glasgow, 12.00
North British Can Inv Co, 29, Charlotte Square, Edinburgh 10.45
Queens Moat Houses, Woodford Moat House, Oak Hill, Woodford Green, Essex, 12.00
Rugby Portland Cement, Crown House, Rugby, 12.30
Scottish Television, Cowcaddens Glasgow, 12.00

DIVIDEND & INTEREST PAYMENTS—
AGA Aktiebolag SK 8.75
Anchor Chemical Group 2p
British Aerospace 5.2p
Clondalkin Group 3.75p
Commercial Bank of Near East 30p
Cussins Property Group 3.1p
Gillette Co 57.5 cts
Halstead (James) Group 1.25d
Lilley (F. J. C.) 3.872p
Merrill Lynch Overseas Capital NV Gtd Fltg Rate Nts 1984 $228.49

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

June 1
Advertising Business Systems Show (01-637 7438) — Press Centre, EC4

June 3-11
Fine Art and Antiques Fair (01-385 1200) — Olympia

June 5-7
Offshore Computers Conference and Exhibition (01-734 4343) — Aberdeen

June 6-10
Chemical and Processing Engineering Show—EUROCHEM (01-747 3131) — NEC Birmingham

June 12-16
Shopex International (01-540 1101) — Olympia

June 20-23
Royal Highland Show (031-333 2444) — Ingliston Showground

June 28-30
Printing, Packing and Allied Trades Exhibition (Norwich (0603) 715588) — East Anglia Exhibition Centre

June 28-July 1
Security Tradex '83 (Redhill (0737) 68611) — NEC Birmingham

June 28-July 1
ROSPA International Safety Exhibition (Birmingham (021) 780 4141) — NEC Birmingham

July 4-7
Royal Agricultural Show (0203 555100) — National Agricultural Centre, Kenilworth

July 5-7
Education, Training and Development National Exhibition and Conference (01-637 2400) — NEC Birmingham

July 5-7
The Leeds Electronics Show (Saffron Walden (0799) 22612) — University of Leeds

July 6-8
Micro Trade Exhibition (01-486 1951) — Barbican

July 12-14
National Conference and Exhibition on Computers in Personnel (Essex (0227) 232030) — Royal Lancaster Hotel, W2

OVERSEAS TRADE FAIRS

Current
Algiers International Trade Fair (01-221 7800) (until June 1) — Algiers

Current
Paris Air Show (720.61.09) (until June 5) — Paris

June 8-10
International Telecommunications Congress and Trade Fair —IFCOM (01-930 7251) — Cologne

June 9-12
International Saw Mill Machinery and Forestry Exhibition—ELMIA (0732 850 457) — Jonkoping

June 19-22
Latin American Petroleum Show (01-546 5144) — Venezuela

June 21-24
EUROPIPE '83 and EUROTUNNEL '83 (0727 63213) — Basle

June 22-24
Under Water Technology '83 (01-250 3561) — Amsterdam

June 26-29
National Fancy Food and Confection Show (0483 38085) — Washington

June 27-July 1
Manufacturing and Plant Maintenance Exhibition — PEMEX (01-486 1951) — Johannesburg

July 21-25
Audio-Vision Expo '83 (01-930 7955) — Hong Kong

BUSINESS AND MANAGEMENT CONFERENCES

June 1
Brighton Polytechnic: interactive video and computer training (Eastbourne (0323) 21400) — Eastbourne

June 1-2
FT Conference: Vehicle components (01-621 1355) — Geneva

June 2
Institute of Directors: City branch annual conference (01-606 7700) — Press Centre, EC4

June 6-7
The Economist: Western arms co-operation—how to make joint procurement work — Portman Square, W1

June 6-10
Management Centre Europe: International negotiations (219.03.90) — Brussels

June 8
BISFA: Video publishing — progress and prospects (01-637 9376) — Brighton

June 8-9
Manchester Business School: Strategies: to reduce unemployment (061-273 8228) — Manchester

June 9-10
Computer Assisted Televideo: Interactive videodisc seminars (01-588 1932) — Kensington Close Hotel, London

June 9-10
Frost and Sullivan: Systems network architecture (01-486 0334) — Cumberland Hotel, London

June 14
CBI: The A to Z of employment law (01-379 7400) — Centre Point, WC1

June 16
IPS: The world truck (0780 56777) — Tara Hotel, W8

June 16
Dun and Bradstreet: Effective collection techniques (01-247 4377) — Holiday Inn, Birmingham

June 16
Institute of Directors: Performance related pay systems (01-839 1233) — Pall Mall, SW1

June 22
Institute of credit management: Credit management for insurance (Stamford (0780) 56777) — London

July 5
Macfarlane: The pharmaceutical industry and the media. Time for a change? (01-637 7438) — Press Centre, EC4

July 6-7
FT Conference: The outlook for oil prices (01-621 1355) — Intercontinental Hotel, W1

July 12-13
IRS: Employment and industrial relations documentation — law and practice (01-328 4751) — Royal Horseguards Hotel, SW1

July 14
Chatham House: The oil market and the future of Opec (01-930 2233) — St James Square, SW1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

ARAB LATIN AMERICAN BANK
U.S.$40,000,000
FLOATING RATE CERTIFICATES OF DEPOSIT
1986

For the six months from 31st May 1983 to 30th November 1983 the Certificates will carry an interest rate of 9⅞% per annum. The interest payable on the relevant interest payment date, 31st May 1983, will be U.S.$25,098.96 per $500,000 Certificate and U.S.$12,549.48 per $250,000 Certificate.

AGENT BANK
CHEMICAL BANK INTERNATIONAL LIMITED

BUILDING AND CIVIL ENGINEERING

BMP in repair grant campaign

A MAJOR campaign is being mounted by the National Council of Building Material Producers (BMP), the National Federation of Roofing Contractors (NFRC) and other members of the building industry to put pressure on the next Government to make the 90 per cent repair grant permanent.

The present scheme expires next March, and although 90 per cent grants are thought to be making a major contribution to the renovation of UK housing stock, the BMP believes that uncertainty among manufacturers and contractors is having an adverse effect on investment, training and recruitment.

It says that a co-ordinated approach is needed to make a substantial impact on the 4.3m houses believed to be in need of repairs costing over £2,500 each.

Mr Charles Williams, of the BMP, forecasts that the figure of 33,715 grants made in the UK in the last quarter of 1982 will increase significantly during the year and produce an annual rate of approximately 100,000 by the end of the year producing work worth over £200m.

The industry seeks a significant improvement in the administration and supervision of repair grants by local outhorities. The Government is being urged to put pressure on local outhorities to make repair grants more readily available. Local authorities are presently allowed a considerable degree of discretion in their allocation of funds for housing investment.

As a means of avoiding large increases in Town Hall staff, it is suggested that supervision may be carried out either by a superficial inspection of the jobs done (backed up hy a thorough survey of a random sample) or the use of private surveyors and architects, whose fees could be met from grant funds.

A register of approved contractors is seen as another way whereby supervision of the grants could be made easier for local anthorities.

In processing grant applications, the BMP suggests that a simple "model" procedupe issued by the Department of the Environment might prove e useful aid.

It adds that making grants payable against invoices and not estimates would help prevent abuses of the system.

JONATHAN COKE-SMYTH

Report attacks attitude to imports challenge

IMPORTS are proving a challenge for a number nf British building material producers and, in some cases, management has taken an over-confident attitude to the domestic market, says a recent report.

Technically, and often managerially, the leading British building materials companies have enjoyed overwhelming dominance in the domestic market, says tha May Building Bullatin from London stockhrokers Savory Milln, particularly in hulkier materials where transport and handling costs are significant.

"Now, however, the old order is being challenged as foreign producers faced with depressed trade in already mature markets struggle to find new outlets for short-term surplus capacity, and opportunities for long term potential growth," say the brokers.

The view that British management is over-confident has been voiced by many in the builders' merchant ond do-it-yourself businesses they say, adding that this may help explain the success of tha importers in some fields in recent years.

With quality and certainty of supply as major considerations, say Savory Milln, most of the major UK cement users "seem happy to play it safe," and continue to use British cement. They note, however, that these users will still benefit from imports since British producers have been forced to forgo price rises in order to maintain a competitive position.

In plasterboard, they believe the import threat to be "essentially marginal." Bnt in glass, they say that import penetration is more significant than for most building materials and that American and Japanese invaders will not lightly surrender the inroads which they have made in the UK and other markets.

WILLIAM COCHRANE

PRIVATE SHELTERED ACCOMMODATION

McCarthy satisfies a need

SHELTERED ACCOMMODATION for the elderly—that is, groups of homes for old people with a resident warden to provide assistance and supervision—is in the main only available from local authorities and housing associations, usually on a full rental basis.

This is not always a satisfactory solution, particularly for the elderly owner-occupier looking for local authority accommodation, as they find it difficult to qualify for a home under the points schema.

There are about 6m owner-occupiers aged over 60 in the UK. If it is assumed that a quarter of them are looking for sheltered accommodation, but cannot qualify for the usual local authority homes, this provides a substantial 1.5m unsatisfied market.

The possibilities offered by these potential customers occurred to a firm of local builders, McCarthy & Stone, of New Milton, Hampshire, at about the same time that they were faced with a difficult development site. Planning permission had heen refused for the density of housing of office building which was necessary to provide a reasonable return, but what about private sheltered accommodation for the elderly?

This turned out to be a good idea. High density of individual homes could be achieved because the potential customers usually need only one bedroom, and probably do not have a car so only limited garage or parking space was required. The local anthority approved because tha scheme reduced pressure on its sheltered homes housing list, and provided a satisfactory planning solution for a difficult town centre site.

The concept has proved s winner for McCarthy and Stone. The first scheme was completed in 1976. Since then 10 sites have been completed in the south coast area, 17 more are at the selling stage, and work is in progress at another 20.

The company was launched on the unlisted securities market in June last year, and since then the shares have almost trebled in value.

This initial success has encouraged the company to embark on a nationwide programme. Seven regional organisations have been set up, and the company expects to have 33 developments under construction by the end of the year, rising to over 54 schemes by the end of 1984.

Commenting on this move Mr John McCarthy, the company's chairman and managing director, said: "Having identified a major market, we are responding to the considerable demand for our sheltered homes. We know from our research that they meet a growing social need, and our national building programme is in response to the avalanche of inquiries we have received from people throughout the UK."

Mr McCarthy says that finance for the development programme will be provided through the company's own cash flow and "agreed facilities." Capital purchases in plant and equipment will account for over £750,000 to provide an initial establishment for the regions, be added.

McCarthy and Stone's developments generally range between 40 and 60 flat units, normally with one bedroom, and designed for one or two people. Each flat, costing from about £19,000 in the West Country to £37,000 in Surrey, is self-contained including a lounge-dining room, kitchen, bothroom and bedroom, and is electrically centrally heated. Communal facilities include guest bedrooms with ensuite showers, laundry room and residents' lounge; and, of course, there is a resident warden.

The units are linked to the wardens office and flat with an emergency intercom alarm system that can be operated from all the main rooms in each flat, including the bathroom.

Mr McCarthy emphasised that particular attention is pald to tha selection of sites, which are preferably a level short walk to main shops and other local amenities.

This often means thet they are sites which may prove difficult to develop in any other way which would provide a satisfactory commercial return.

Last year's profits for the company were £2.15m. According to Mr McCarthy this will be reinvested in the company, as will the profits at tha end of this year, expected to be £3m. Predictions for next year double this figure.

The company holds no land bank, and when o site has been purchased building work generally starts within three months.

Now that the company is beginning to establish a reputation in this market, both local euthorities and housing associations, which previously were sceptical, are wishing to take part in the scheme, and some hove even offered sites, says Mr McCarthy.

Residents, who must be over 60 (purchasers can be any age), pay e £6/7 a week manogement charge to cover the cost of the warden, insurance, maintenance, heating and lighting, and rates on the communal areas. The company soys that the total weekly ontgoings on each flat, sold on a 99-year lease, is about £17.

TONY FRANCE

The first National Conference on Housing for the Handicapped and Elderly was held at Reading last week.

Sponsored by the Anglia Building Society, and organised by the Bulmershe Resource Centre for the Handicapped, the conference attracted over 800 delegates from throughout the UK.

At the end of the conference, Anglia's joint chief general manager, Mr Anthony Stoughton-Harris, said that the society is setting aside £10m for mortgage advances to tha handicapped and elderly.

Mr John McCarthy, chairman of McCarthy & Stone

Kier wins £11m Papua New Guinea tunnelling work

KIER INTERNATIONAL part of the French Kier Group has been awarded the contract for the design and construction of four tunnels worth about £11m on the Ok Tedi Project in Papua New Guinea. This 16-month contract for Ok Tedi Mining forms part of stage one of the overall development for the mining and production of gold in the province. Three tunnels, totalling 2.81 kilometres in length, will be driven through variable geological formations utilising a Roadheader excavator mounted inside a tunnel shield. The fourth tunnel, 1.1 kilometres long, passes through hard rock and will be excavated by conventional drill and blast methods. Financing has been arranged by Lloyds Bank International through a project line of credit with the guarantee of ECGD.

*

HOLLAND DREDGING COMPANY (UK), Farnham, in joint venture with BALFOUR BEATTY CONSTRUCTION, Edinburgh, has won a £3.2m contract from Vickers Shipbuilding and Engineering at Barrow-in-Furness. This calls for about one million cubic metres of fill material, which will be pumped into Devonshire Dock. There will be drainage repairs, grouting dock walls and structural works at the entrance and in the graving dock. A cutter suction dredger will recover sand and gravel fill from Roosecote Sands, some 3 kms south of Barrow. The materials will be transferred along a 650 mm diameter pipeline via two boosted stations.

Among contracts recently awarded by the Property Services Agency are: a £3.5m contract awarded to Peter Birse for the re-engineering of an underground bunker at RAF Ash in Kent; a £2.5m contract awarded to Amey Roadstone for five aircraft shelters and a taxiway at RAF Upper Heyford, Bicester; a £3m contract awarded to Shepherd Construction for the erection of Crown and County Courts at St Aldates, Oxford; end finally a £1m contract for Wimpey Construction to repair and renovate married quarters at Wantage, Oxfordshire.

*

ALLEN-FOX CONSTRUCTION, Wigan, has been awarded the new distribution depot, Inlam, contract for CWS drinks group, value £617,490 and the Phase II civil works contract at the Handforth depot, Wilmslow for CWS housewares group, value £145,516. Work has started on design and build contracts comprising the Post Office new sorting office, Preston, for National Carriers, value £508,206; the warehouse extension for James Halstead, Whitefield, value £260,266 and the new warehouse and offices for Barker Welding Supplies, Bolton, value £194,000.

*

Almshouses built in 1852 as an "Asylum for Worthy Aged and Decayed Freemasons" at Freemasons Road Croydon, are being converted into modern self-contained flats and maisonettes for the elderly under a £760,000 refurbishment and new-build contract awarded to MANSELL by the London Borough of Croydon for completion in January 1984.

ROBERT MARRIOTT, Rushden, currently engaged on phase 1A of the new complex for the British Standards Institution ot Linford Wood, Milton Keynes, has started work on phase 1B. The development comprises offices and further buildings including o print works at a total value of £2.3m.

*

BALFOUR BEATTY CONSTRUCTION hos been appointed managing contractors by London and Metropolitan Estates for refurbishment of an existing eight-storey bank and offices on the corner of Gracechurch Street and Fenchurch Street. The new occupants will be the French bank, Societe Generale. Extensions will create more office accommodation, together with some 4,500 square metres of refurbishment is worth over £4m.

Lovell sets up project design arm

LOVELL Taskmaster Ltd—the latest member of the Lovell Gronp of companies — has been set up specifically to handle project design and construction management.

Taskmaster directors, Graham Rendall and Ray Groves, say that their oim is to give the owner a better deal by providing:

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- more equitable conditions of contract;
- shorter overall project times;
- more accountobility of the design team;
- greater control of variations;
- removal of claims and delay caused by late information; and
- better take-over and commissioning procedures.

Given the oppropriate involvement, Taskmaster will offer a Guaranted Maximum Price onec the scope of the project and specification are defined ond before all details are complete. Cost engineers using design monitoring techniques ensure that this price is not exceeded and any savings on the GMP are shared on an agreed basis.

Gallagher land deal

IN ONE of the largest residential land transactions in the West Midlands in recent years, Gallagher Estates and Gallagher Developments have paid £3m for 84 acres at Monkspath, Solihull.

The land was purchased by Gallaghers from Francis Parker and building work on the first phase of the housing development has already begun.

New roads are being installed and the first houses will be available for occupation in the autumn. Gallaghers sales unit will be open within two weeks.

THE MANAGEMENT PAGE : Small Business

EDITED BY CHRISTOPHER LORENZ

Gerald Denford, managing director (centre), with his daughter, Nicola, the business Systems manager, and son, Andrew, the technical director.

Back from the brink

Computer control saved Denford Machine Tools from going under. Nick Garnett reports.

FEW UK machine tool companies could say these days that their works director has been so occupied ensuring that orders are met that he has allowed his once eight-handicap golf game to disintegrate over the past year into a caricature of its former self.

That is what has happened to Brian Kellett of Denford Machine Tools, a company which has increased its workforce by almost a third in the past 18 months, operated a seven-day week for part of this year and is on course to double last year's turnover.

Nestling in the hilly town of Brighouse in the once great West Yorkshire machine tool belt, Denford manufactures equipment primarily used in training and retraining machinists.

It has been subjected to many of the same trading traumas which have killed off large parts of Britain's machine tool industry. Set up in the 1950s, the company reached a peak in 1976 with 130 employees and a turnover of £1.4m. The next three years saw overall losses and a drop of 60 per cent in machine sales, partly as a result of a national cash squeeze on training. By 1981, its workforce had tumbled to 65.

Gerald Denford, the company's managing director, who took over the reins from its founder—his father Horace—dates the start of the revitalisation of Denford very precisely to June 1979. In that month, two men visited the company and changed its direction. One was Dennis Gill, group training officer for the industry-backed Humberside Training Association, who was looking for equipment to purchase. The other was Cedrick Fletcher, an official at the British Embassy in Helsinki who was starting up his own machine tool sales company. Both wanted to know why Denford was not converting its training machines to computer numerical control (CNC) in step with the trend sweeping through production machinery.

Within a month, Denford had taken the carcass of its standard variable speed lathe and fitted the electric motor drives which were a necessary preparation for CNC.

It then approached GSM-Syntel, a local electronics control manufacturer in Huddersfield. Though GSM had never made a CNC control unit before it said it could do it and would fund a large part of its development with the hope of getting orders from Denford.

GSM was provided with the specification of the lathe and the kind of work Denford wanted for the unit. By March the following year, GSM had designed and manufactured a CNC micro processor with a built in "talking" aid programme for trainee lathe operators. This became the Micro Master system which was put on sale in the summer of 1980. Denford claims this was the first CNC training lathe produced in the UK and probably in the world.

GSM says that it then became clear that something smaller was required by the market. Further development led to the Micromaster being replaced by the more compact ORAC for which GSM had also done the CNC control unit. The bulk of GSM's output now goes to the Brighouse company.

Gerald Denford says of the changes: "If we had not converted to CNC, we would be closed down by now." He now argues that running in parallel with advances in production engineering equipment is the way forward for the training machinery industry: "Some machines built in the last eight years are now dinosaurs in a graveyard." He is very caustic, however, at what he says is a continuing failure of some production engineering company managements to recognise the benefits of CNC.

Denford secured a £1.1m order in January for 63 machines from the Mexican Education Ministry. It now exports to Finland and Norway, and estimates that the turnover of £1.6m in the year to March 1983 will jump to £3.2m this year. Its workforce has recently been raised to 90 and the company has £2m worth of orders on its books.

In the past year, companies like Rolls-Royce, GEC Turbines, Westland Helicopters and British Aerospace have been either placing orders with or receiving equipment from Denford.

The company still manufactures conventional machinery—largely for schools and technical colleges—from a £400 double-edged grinding machine to a £2,500 variable speed lathe. But 90 per cent of its output is now based on CNC training machines and ancillary equipment, from the basic bench training lathe at £4,350 up to an Easiturn lathe with CAD/CAM system, tool-path graphic display and printer and plotter for £25,000.

This equipment—which some of Denford's competitors say is strong on theoretical teaching—is directed to polytechnics, government re-training centres and colleges of further education, as well as engineering industry board centres. A third of Denford machinery goes to the in-house training areas of big manufacturing companies but only 5 per cent of output is used in actual manufacturing processes.

Denford has a new range of equipment emerging for 1984 and is well aware that it has to maintain technical progress while keeping an eye over its shoulder.

There are a number of companies in or moving into CNC training equipment. Some have market niches geared to more basic training. The biggest in the overall field is probably the Austrian company, Maier, with its Emco 5 bench-training lathe. Others include another Yorkshire company, T. S. Harrison, with its M250 CNC lathe and the Australian company, Hercus.

Boxford, which was recently the subject of a management buy-out after the failure of the Brooke tool group of which it was a part, has a CNC training lathe on the stocks.

If Gerald Denford needed a reminder of how companies need to keep their ears to the floor, it landed on his desk at the end of last month.

Correspondence with the Japanese machine tool company, Mecanix, elicited by accident the information that Mecanix was preparing to manufacture a CNC training lathe. "This is one crowd I'm watching", says Denford.

A substitute for imports

A SMALL family controlled steel pressing business in the Midlands has a special reason to be proud of taking on—and beating—foreign competition in its market place.

For the company, whose name must for the moment remain anonymous, is this week tooling up to meet a £40,000 order which is the direct result of last year's "Can You Make it?" Exhibition organised by the Confederation of British Industry, the London Enterprise Agency (LEnta) and the Institute of Purchasing and Supply.

The customer in question, Dumfries-based Uniroyal, which, among other things, manufactures industrial footwear and is one of 50 or so large companies which last year put on a display at the exhibition of imported manufactured components and assemblies which they said would buy in Britain if the terms were right.

"We had been looking around for an alternative supplier for a vital component for our safety wellington boot," explains Uniroyal buyer Ian Swan. "There didn't seem to be anything suitable on the market, but when we attended the exhibition we got 16 enquiries from interested parties. We finally whittled them down to this one in the Midlands."

Uniroyal says it has to be cautious about revealing further details because of possible retaliation from its previous supplier. Significantly, though, the new component will be slightly dearer than the one it is replacing. "The quality is the same but the difference is that we will receive materials which have already been treated," says Swan.

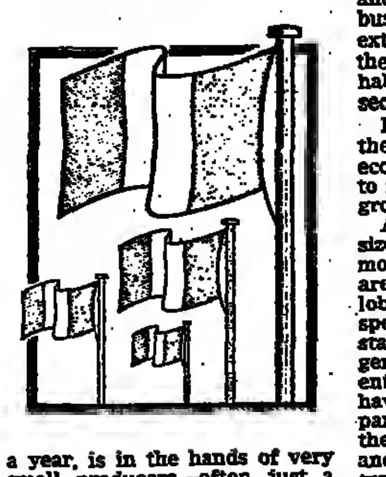
This Midlands success story comes at a time when invitations have just gone out from Sir Campbell Fraser, CBI president, to 250 company chairmen and chief executives urging them to take part in a second show to be held in London from September 26 to 28.

Products displayed at the first exhibition were worth an estimated £100m in potential new business. Nearly 3,500 visitors, mostly small businessmen, turned up for the event and their 22,000 inquiries resulted in 2,000 firm bids to supply products to a value of £20m a year.

Tim Dickson

A virtue of necessity

James Buxton reports on Italian small business in the second of a five-part series on major countries



WHILE NORTHERN European governments sometimes seem to be stimulating small businesses in the hope of creating a completely new motor of economic growth, the Italian small- and medium-sized business sector is already one of the important and dynamic parts of the country's economy. Although it enjoys some government assistance, what it most wants is a continuation of the policy of benign neglect that allowed it to become what it is.

Whereas small industrial businesses in other European countries have often been set up as a reaction to the stultifying unwieldiness of large concerns, in many parts of Italy industrialisation started with small businesses — for much of Italy has only industrialised in the past 20 or 30 years. The growth of small businesses in Italy did, however, receive a big boost in the early 1970s when large Italian companies were lumbered with new labour legislation and social security charges which obliged many of them to decentralise and divide themselves and their operations into smaller units.

The latest business census, taken in autumn 1981, illustrates the trend. It showed for example that the number of engineering companies had grown by 45 per cent to 180,000 since 1971, but that the number of their employees had grown by only 25 per cent — the average number of employees per firm dropped from 14.2 to 12.2. The number of employees in light manufacturing and textiles dropped marginally to 6.7 per firm.

The figures showed that only 8 per cent of engineering companies employed 20 or more people—and that 82 per cent had nine or less.

On the basis of these and other figures Italy appears to be the European country of small business par excellence.

Even in more technologically advanced fields such as machine tools, production is often divided among a set of complementary small units rather than concentrated in one big one.

For example, Benetton, the major Italian jeans, knitwear and casual clothes maker, directly employs about 1,600 people but it gives work to an additional 10,000, all over northern Italy, who manufacture at home or in small workshops to the designs and standards set by the bigger company.

The vast majority of the Italian shoe industry, which produces more than 400m pairs a year, is in the hands of very small producers—often just a husband, wife and child. Yet in the more advanced areas, for example, around Verona, they may make their own designs and, perhaps with the help of others, manufacture enough to satisfy important customers from, say, West Germany.

Many small businesses have grown up on the imitative pattern—on people copying the techniques of his neighbour, to produce whole cities and townships producing just one thing: Sassuolo for ceramics, Carpi for knitwear, Maniago for knives, Prato for cloth, Trani for shoes, Montebelluna for ski-boots and so on.

At the more sophisticated level networks of businesses have grown up in engineering fields which represent, in a distinguished academics phrase, "economy of scale at the level of the system rather than the single company."

The system works because the main entrepreneur, whose own production facilities may be modest, knows who is capable of producing what.

Businesses of any size in Italy, however small, are excused few of the rules that constrain the bigger ones. Companies employing fewer than 15 people need not have a union organisation, but must meet all the other costly conditions of employing labour. But a family unit, whether running a restaurant or a shoe workshop, can consider its members self-employed and is not obliged to pay pension and social security contributions.

People who work for more than one person, self-employed contractors, tend to escape the net of regulations. While the authorities are gradually tightening up on the collection of VAT, the sheer complexity and the informality of the small business sector makes this extremely difficult, leaving aside the strongly ingrained Italian habits of tax avoidance and secretiveness.

It is hardly surprising that the "submerged" or black economy in Italy is reckoned to make up at least a quarter of gross domestic product.

At both the small-to-medium sized business level and the more lowly artisan level there are associations to assist and lobby for their members, and specialised banks which offer state-subsidised loans for genuine investment. The more enterprising local authorities have set up investment companies of their own to assist the growth of new companies and help those which get into trouble.

How is this elaborate rabbit warren-like structure faring in recession? Generalisations are difficult, but the recession had affected Italy less badly than it had other countries, mainly because of Government reluctance to retrench.

Several industrial sectors and local production centres have barely been affected, while the flexibility and capacity to raise production of the submerged economy has enabled, for example, the shoemakers to fight off Third World competition.

What does the future hold? Many small companies in Italy exhibit to a dangerous extent the undercapitalisation which is the bane of industry all over the country, and technical innovation is difficult though demonstrably not impossible in such a diffuse structure.

It may be significant that the only Italian company to remain dominant in the technically advanced skiboots industry (Nordica) has been run as a fairly large business almost from the start, while its more homespun rivals have declined.

On the other hand, the continued success of the shoe industry suggests that small industry in Italy has a considerable future, even in technologically unadvanced fields.

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COMPANY NOTICES

RORENTO

RORENTO N.V.

INFORMATIVE MEETING FOR SHAREHOLDERS OF RORENTO N.V.

to be held at the Hilton Hotel, Weena 10, Rotterdam, on Thursday, 16th June, 1983, at 14.00 hours.

AGENDA

1. Opening.
2. To discuss the Management Report concerning the state of affairs and the policy pursued in the past financial year.
3. To discuss the Annual Accounts for the financial year 1982/1983.
4. To discuss the appropriation of the profit.
5. To discuss the composition of the Board of Supervisory Directors. Mr. J. M. van Susante will resign having reached retirement age. Messrs. N. J. E. van Beuningen, J.-Ch. Vaige and H. J. Witteveen will retire by rotation. It will be proposed to re-elect them. Furthermore, it will be proposed to appoint Mmn. Simone Veil and Messrs. J.-M. Lévêque, W. Scheel and A. A. Th. M. van Trier Supervisory Directors.
6. Any other business.

RORENTO N.V.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held at the offices of RORENTO N.V., Willemstad, Curacao, on Wednesday, 6th July, 1983 at 11.00 a.m.

AGENDA

1. Opening.
2. To receive and adopt the Management Report concerning the state of affairs and the policy pursued in the past financial year.
3. To receive and adopt the Annual Accounts for the financial year 1982/1983.
4. To determine the appropriation of the profit.
5. To compose the Board of Supervisory Directors. J. M. van Susante will resign having reached retirement age. Messrs. H. J. E. van Beuningen, J.-Ch. Vaige and H. J. Witteveen will retire by rotation. It will be proposed to re-elect them. Furthermore, it will be proposed to appoint Mme. Simone Veil and Messrs. J.-M. Lévêque, W. Scheel and A. A. Th. M. van Trier Supervisory Directors.
6. Any other business.

Holders of Bearer Certificates or Bearer desirous of attending or being represented at one or both of the above stated Meetings, should lodge their share certificates, by hand (postal deliveries will not be accepted for voting purposes), with the National Westminster Bank PLC, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1EJ (between the hours of 10 a.m. and 2 p.m.) as follows:

INFORMATIVE MEETING — Not later than Thursday, 9th June, 1983;
ANNUAL GENERAL MEETING — Not later than Wednesday, 29th June, 1983

in exchange for a receipt.

Beneficial owners whose share certificates are presently deposited with a Bank must obtain a Certificate of Deposit signed by the Bank as evidence that such Bank is holding the share certificates. This Certificate must be lodged against receipt by the Bank with the National Westminster Bank PLC, in accordance with the requirements stated above.

The receipt for the share certificates or Certificate of Deposit will constitute evidence of a shareholder's entitlement to attend and vote at the Meeting and should be presented at the door of the Meeting Hall. If a holder desires to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead, a form of proxy may be obtained from the National Westminster Bank PLC as shown and this form of proxy must be presented at the door of the Meeting Hall together with the receipt for the share certificates or Certificate of Deposit.

Copies of the full agendas and of the Annual Report for 1982/83 can be obtained from National Westminster Bank PLC at the address shown above.

By Order of the Board of Managing Directors
T. M. Scholten
N. J. H. van der Meer

Dated this 31st day of May, 1983.
Curacao.

EUROFIMA
(European Company for the Financing of Railway Rolling Stock)

1978-1985 9¾% NOTES
U.S.$20,000,000

NOTICE IS HEREBY GIVEN to Noteholders of the above loan that Eurofima has acquired through purchase in the market an amount of U.S.$800,000 and that such amount will be credited against mandatory payments due on July 1, 1983.

Furthermore Eurofima has exercised its option to redeem an additional U.S.$600,000 by purchase.

Amount outstanding: U.S.$18,200,000.

The Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
May 27, 1983

CONTRACTS AND TENDERS

YEMEN ARAB REPUBLIC
SANAA UNIVERSITY

INVITATION FOR PREQUALIFICATION BY GENERAL CONTRACTORS FOR THE CONSTRUCTION OF THE FACULTY OF ENGINEERING - SANAA UNIVERSITY

Sanaa University, Y.A.R. is intending to commence construction of the faculty of engineering (1st phase)—bilateral financing with the world bank—on the site at Sanaa University Campus, Wadi Dahr Road, Sanaa, Y.A.R.

Tender documents are nearly completed. The project consists of two parts which are the central facilities building and the civil engineering departments, besides the related external and landscaping works, such as utilities, sewage system, parking, roads and walkways. The gross area of this phase is about 13,500m², the buildings are of reinforced concrete skeletons with full cut stone facades. A selected group of prequalified general first class contractors and international companies will be invited to submit their tenders for the execution of the project.

General contractors of first class category and international companies can obtain the prequalification questionnaire from:

Education Projects Implementation Unit,
P.O. Box 96—Sanaa.
Telex 2405—EPIU

The completed prequalification questionnaire, together with supporting documents must be returned to the above mentioned address before Wednesday, June 15, 1983.

PERUSAHAAN UMUM LISTRIK NEGARA

AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO TENDER

Sealed tenders, covering design, manufacture, testing, supply and erection of generating equipment for mini hydro projects at 6 (six) sites in North Sumatera, will be received up until 10.00 am Western Indonesian standard time and then publicly opened at 11.00 am Western Indonesian standard time on September 19, 1983 at the head office of Perusahaan Umum Listrik Negara Pusat, Jalan Trunojoyo Blok M1/135.

Scope of the works is as follows:

Designing, manufacturing, testing, finishing, painting, packing for export, insuring, shipping, unloading at the port of Belawan in North Sumatera, customs clearing, transport from the port of Belawan to the site, erecting, testing at site, commissioning and maintaining of the following:

6 sets of	Horizontal Francis Turbines 790 kw nominal output complete with governors
9 sets of	Synchronous Generators 937 KVA rated output complete with excitation equipment
2 sets of	Horizontal Francis Turbines 790 kw nominal output complete with guide vane controllers
2 sets of	Induction Generators 937 KVA rated output and associated equipment
8 sets of	Turbine and Generator control and protection equipment
6 sets of	Line Protection and Synchronising equipment
8	20 KV main transformers
9 sets of	Switchyard equipment complete with all ancillary equipment
2 sets of	Communications and display equipment

Beginning from June 2, 1983, tender documents may be examined and obtained personally by the tenderer or his authorised representative upon cash payment of non-refundable amount of RP 450,000 (four hundred and fifty thousand rupiah) from PLN at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA
Directorate of Planning, Jalan Trunojoyo Blok M1/135
Kebayoran Baru, Jakarta Selatan, Indonesia

This project will be financed from the loan proceeds of the International Bank for Reconstruction and Development (IBRD) under loan No. 2214INO. Only bidder(s)/manufacturer(s) from member countries of the International Bank for Reconstruction and Development (IBRD) and Switzerland and Taiwan are entitled to participate in the tender.

PERUSAHAAN UMUM LISTRIK NEGARA

AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO TENDER

Tenders for Cooling Towers for the new 2 x 55 MW (units 2 and 3) as an extension to the existing unit-1 of Kamojang Geothermal Power Plant situated approximately 42 km south east of Bandung the capital of West Java, will be received at or before 10.00 hours on September 12, 1983, for public opening at 11.00 hours on the same date at the head office of Perusahaan Umum Listrik Negara, Jalan Trunojoyo Blok M1/135, Kebayoran Baru, Jakarta Selatan, Indonesia.

The Cooling Tower contract comprises the design, manufacture, supply, erection, testing and commissioning of two Cooling Towers for 2 x 55 MW Geothermal Power Plant Unit.

Beginning June 15, 1983, the tender documents may be examined and collected personally by interested tenderers or his authorised representative upon cash payment on a non-refundable amount of RP 500,000 at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA
Directorate of Planning, Jalan Trunojoyo Blok M1/135, Kebayoran Baru
Jakarta Selatan, Indonesia

To qualify for award, tenderers must have designed, manufactured, delivered, erected and commissioned Multi-cell Cooling Tower with a minimum total capacity of 10,000 m3/hr of water from a Geothermal Power Plant direct contact condenser unit. The Cooling Tower shall have been in continuous successful commercial operation for a minimum of one year. Tender will be received from qualified tenderers or their authorised representative.

Perusahaan Umum Listrik Negara has obtained a loan from the International Bank for Reconstruction and Development and will apply the proceeds of this loan for payment under this contract. Only contractors residing in member countries of the International Bank for Reconstruction and Development and Switzerland and Taiwan are eligible to tender.

Perusahaan Umum Listrik Negara reserves the right to reject any and all tenders and may waive minor irregularities and informalities.

PERUSAHAAN UMUM LISTRIK NEGARA

Jakarta, May 30, 1983

YEMAN ARAB REPUBLIC MINISTRY OF HEALTH/IDA PROJECT

TENDER NOTICE

International Bid Invitation Notice

Manufactures and suppliers from member countries of the World Bank, Switzerland and Taiwan are hereby invited to participate in the bid for the supply of the following types and number of vehicles:—

- One —Ten-ton truck
- Three —Half-ton pick-up trucks
- Two —Four-seat sedans
- Eight —Four-wheel-drive station wagons
- Two —Buses (20 seats)
- Two —Mini-buses (12 seats)
- Three —Buses (30 seats)

For various units in the Ministry of Health including the Health Manpower Institute under IDA credit 1294 YAR. Bid documents can be obtained from the above address upon a non-refundable payment of U.S.$100.00 per set. Bids will be received up to 12 noon (local time) on 25 August 1983 and will be opened in public in the MOH/IDA project office at 10:00 A.M. on 27 August 1983.

INTERNATIONAL TENDER FOR THE PURCHASE OF SHOP EQUIPMENT AND MACHINE TOOLS

INVITATION No. T-06/75

The Provisional Military Government of Socialist Ethiopia, Ethiopian Transport Construction Authority, announces the release of an international tender for the purchase of Shop Equipment and Machine Tools.

A loan is available from the African Development Fund (ADF) and interested bidders from member countries and participating states of the ADF are requested to collect bid documents during office hours from the Procurement Office Room 106, of the Ethiopian Transport Construction Authority against payment of Birr 20.00 for each set of documents.

Bids will be opened in public in the Conference Room, 4th floor, of the Ethiopian Transport Construction Authority headquarters building on July 16, 1983, at 10.00 hours Addis Ababa time.

The Authority reserves the right to reject any or all bids that are not in conformity with all conditions and specifications mentioned in the tender.

ETHIOPIAN TRANSPORT CONSTRUCTION AUTHORITY

TECHNOLOGY

EDITED BY ALAN CANE

NEW ELECTRONIC TOOL FOR GENETIC ENGINEERS

Cells shocked and fused

BY DAVID FISHLOCK, SCIENCE EDITOR

ON A TV monitor in a laboratory near Geneva I watched living cells being steered into contact and fused, making entirely new live entities of two, three or more cells. Unseen forces were guiding the cells and forcing the fusions with an efficiency unknown in the baphazard cell-fusion practices normal in laboratories today.

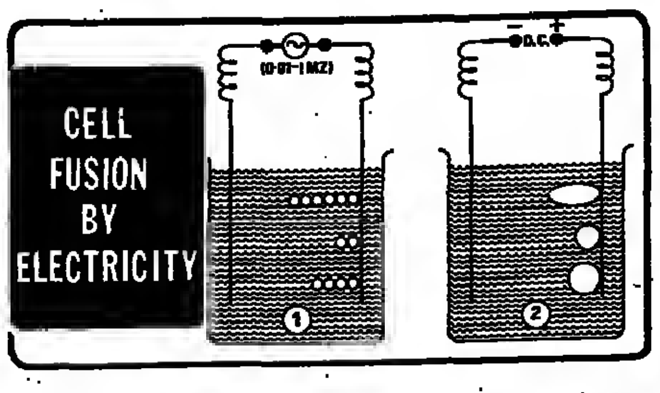
The technique was invented in the West German national laboratory et Jülicb and first disclosed in 1980. Battelle Geneva Research Centres obtained rights to the technique end has spent two years studying it.

Their conclusion is that the technique can be engineered into an instrument that takes out most of the skill and replaces it with precisely determined physical conditions for achieving any kind of cell fusion.

"A lot of people are interested, but not many are equipped to do the scale-up," claims Dr Peter Bromley, a British "genetic engineer" wbo joined Battelle from Geneva University a year ago. He believes that in the next year Battelle will have advanced the science of cell-to-cell fusion to a point where it can confidently undertake a partnership with an industrial compeny to design a novel automated laboratory tool This means knowing the precise electrical conditions needed to fuse a wide range of cells efficiently, simply by setting the knoba.

Cell-to-cell fusion by electric fields is one of a dozen biotechnology research proposals in a portfolio issued this month by Battelle Geneva Research Centres. The portfolio is designed to wbet the eppetite of potential commercial sponsors for projects the scientists believe they can complete in one to five yeers, all having "very important commercial potential" in health-care.

Cell fusion is a vital stage in much genetic engineering; for example, in transferring cloned genes from bacteria to mammelian cells, in the production of hybridoma for cells used to obtain monoclonal antibodies, and in plant cell hybridisation. If human-to-human cell fusion could be achieved effectively, it would open immense possibilities for using monoclonal antibodies as highly specific therapeutic agents, and not just as tools for diagnosis and purification, as is the case today.



1. Cells lined up shoulder to shoulder in a weak electric field. 2. A brief pulse of high current breaks down the cells' resistance to fusion. Right, Dr Valentin Stingelin of Battelle: now scaling the process for commercial use

The Zimmermann technique appears capable of fusing almost any combination of cells, the Battelle scientists say. They envisage an instrument in which the operator will follow the fusion process throughout, through a microscope, identifying and selectively separating precisely the cells be wishes to join.

But the crux of the technique is that it is based on electric field effects and so is amenable to a degree of control impossible to engineer into those methods requiring such agents as polyethylene glycol or inactivated Sendai virus, normally used today.

The technique has two steps. First, a weak, inhomogeneous electric field is applied to a suspension of living cells. This overcomes both the Brownian motion that normally keeps the cells in constant agitation, and the negative charge on the onter cell membrane surface that repels other cells. The a.c. field regiments the cells, lining them up "shoulder-to-sboulder" between the electrodes. This is achieved with a frequency of 10,000 hertz - 1 megahertz by a process called dielectrophoresis.

The second step is to initiate cell fusion by epplying a brief but intense direct current pulse. This causes reversible breakdown of the cell membranes et the point of contact. Pores appeer through which the cell contents begin to mix—with minimum loss to the surrounding liquid. The parameters of this pulse depend on the cells to be fused, but typically it lasts only 2-50 microseconds. The fused cells quickly revert to a sperical shape with an impermeable membrane.

Dr Richard Haroz, director of Battelle's Centre for Toxicology and Biosciences, one of three research centres of Bettelle in Geneva, believes the technique can be automated to a considerable degree. Its advantages seem to include the fact that a large fraction of cell aggregates can be fused simultaneously, in a very rapid and synchronous manner. It avoids the need for cell fusion agents which may be toxic to the cells.

Yields of hybrid cells are claimed to be "orders of magnitude higher" than the presently used methods, an asset thet may prove particularly advantageous in making hybridomas for the synthesis of monoclonal antibodies against weakly antigenic substances.

Dr Haroz's division is already highly orientated towards engineering. Its biggest project is e two-year study of the toxicity of car engine emissions undertaken a few months ago for a consortium of European motor manufacturers. It involves 5,000 animals—"one of the largest inhaletion experiments I am aware of"—which are continuously monitored while breathing exhaust fumes from a battery of engines running for 16 bours a day. He estimates that it will take another year and cost SF 850,000 to develop the basic instrument for cell fusion.

Dr Valentin Stingelin, director-general of Battelle Geneva Research Centres, believes his laboratories have mucb to offer industry in the tricky stages of trying to scale np laboratory practice in genetic engineering to create new industrial processes. Currently, mucb good science is faltering here.

Dr Stingelin recounts how his laboratories have adapted to the fast-changing needs of industry in the last few years. Where once they relied beavily on finding clients and sponsors for their own ideas and inventions, now they scour other laboratories for ideas that need their development skills. "We're open to innovation from wberever it comes."

No longer is industry knocking at Battelle's door, seeking innovation. But it is more ready than ever to listen to a well-marshalled case, Dr Stingelin says. Where once be spent abont 10 per cent of income on promotion, "today in some cases it's nearer 25 per cent, because they ask us to go much further. They force us to find out what the problems are." His staff has had to learn "how to become creetive about other people'e problems."

PLANS TO CREATE 100-KNOT VESSEL

'Dream' ship driven by superconducting magnets

BY ELAINE WILLIAMS

THE JAPANESE talk of a dream ship travelling through the water at speeds up to 100 knots powered by an entirely new form of propulsion that consumes hardly any fuel.

Within ten years, Japan could have the first commercial vessel operating, driven by an enormous superconducting electromagnet in place of a conventional propulsion system. Researchers are presently seeking the next stage of funding to pursue the development.

Work on this novel propulsion system started in the early 1960s in the U.S. Ten years latetr the Japanese took up the idee with the aim of overcoming the main problem that existing technology could not generate enough thrust to power a large ship.

It was Professor Yoshiro Saji at Kobe University at Mercantile Marine who produced the first model shipa equipped with a superconducting coil to test out the theory of the electromagnetic thrust system of propulsion.

This replaces the engine, shafting and propeller of a conventional ship with a superconducting electromagnet. It uses the thrust created by the reaction between a powerful superconducting electromagnet using liquefied belium kept at a temperature of −260 degrees C installed in the ship and, a magnetic field in the sea water created by charging it with electric current, to move a ship.

Propulsion

Prof Saji bas been working closely with Dr Akira Iwata, a researcher for Kawasaki Heavy Industries on the dream ship propulsion concept. Dr Iwata is a specialist in low temperature technology and has been involved in specialised research on liquid natural gas, liquid hydrogen, belium and the application of superconductivity—the behaviour of electrically conducting metals et low temperature.

Dr Iwata was a student of Prof Saji and has continued to collaborate with him on the superconducting electromagnetic thrust system.

Dr Iwata explained that there were no real technical hurdles to be overcome: "The finance is the problem. I think that the project is still at a very fundamental stage and I believe that the state should participate in the funding," be said.

Researchers at Kobe University working on a scale model of the 100 knot dream ship, the ST 500, powered by superconducting electromagnets

The next stage of the dream ship'e development should be the construction of a 10m prototype. Dr Iwata said that no date had yet been set for its construction though design drawings had already been prepared for Japan's defence department. Funding of about £700,000 for the next two years have been applied for. Last year Dr Iwata's proposals were turned down, bowever he is confident that the project will be accepted by the government this time.

So far the latest model built by the research group is 3.6m long, 70cms wide and 700 kg in weight. Speeds of over 60cm a second have been recorded in sea triels.

Prof Saji believes that a 10.000 ton submersible tanker built on the dream ship principle could travel at 100 knots. The advantages of electromagnetic thrust is that little fuel is needed, the power system will take up far less room than a conventionally powered ship.

The best applications of the propulsion system is in submarines, high speed patrol boats, cargo carriers and oil rig positioning systems.

The main efforts of the work will be aimed at bringing down the cost. Dr Iwata believes that the propulsion system could be reduced to one tenth its present cost. For example to build a 2,000 ton ship would cost Y3bn for the propulsion system alone.

Control

The dream ship has not without its problems, bowever. Very precise control of the temperature is required if the superconducting properties of the metal used in the electromagnet are to be maintained.

Computing

Japan pools its talents

JAPAN'S latest move in the race to develop advanced computer technology—the so-called fifth generation machines—has been to bring together 40 of the country's top young computer scientists.

Handpicked by Mr Kasuhiro Fuchi, a pioneer of Japan's computer industry, the scientists will work at a government-funded laboratory in Tokyo. All the researchers are on loan from eight Jepanese computer manufacturers.

The work of the new lab—designated the Institute for New Generation Computer Technology—is being co-ordinated by the Ministry of International Trade and Industry which is spending U.S.$40m over the next three years on the project.

Mr Fuchi said that the institute's first priority is to develop a computer with a different internal structure than conventional machines, which is much simpler to program. Presently the Japanese scientists at the institute are working with a computer language called Prolog which is a British development.

Japan is not alone, however, in its desire to develop the next generation of supercomputers. Companies such as IBM and various U.S. government sponsored projects contain many of the elements of the fifth generation computer project now underway in Japan.

Electronics

Regulator

FOR applications in remote on/off power control, memory power supplies with back-up power, Dialogue Distribntion have a dual outpat, logic controlled voltage regulator. This is the LT1005 developed by Linear Technology in the U.S. More information on the device is available on 0276 68200L

THE ARTS

Royal Academy Summer Exhibition

Revisiting the middle ground . . .

"Reclining nude" by Mary Hackney

Plus ça change . . . Certainly it would be unfair to deny that the Royal Academy has changed enormously over the past 20 years or so, and that the process continues, and yet . . . plus c'est la même chose. Here we are again with the sun shining (at last, for the private views at least) for the Summer Show that must remain at the heart of the Academy's affairs.

This year's show, the 215th, is undemonstrative, even diffident in its selection and arrangement, the principal end walls in galleries II and III for example, which have so often carried the strident and the over-blown, given over now to cool abstraction or elegant refinement: Scott, Stephenson, Pasmore, Moynihan, Camp, Flavia Irwin and Sandra Blow, with David Tindle's deceptive and obsessive reticence close at hand and rightly winning the major prize, £5,000 from Johnson's Wax (other prizes from Charles Wollaston, Pimm's, George Rowney, and general sponsorship from IBM).

The abstraction sits quite at home, unselfconscious and uncontroversial now; and there is rather more of it than is at first apparent, and well spread out—Gillian Ayres, Whishaw, Ingham, Copnall, Clarke—the abstract ghetto in the furthest corner a thing of the past.

It is altogether a fascinating show, much stronger than it might seem and containing some very distinguished things—Bowey, Blackadder, Tindle, Adams, Stevens, Ayres, de Grey, Sandle, Armfield, Greenham, Lessore: only a few names at random, that you must follow up for yourselves. Sadly, William Brooker A.R.A., died recently. He had not meant to show this year, and it was evidently too late to put together the customary memorial group of works. That must wait.

No free institution can be better than its own membership, no show better than the work sent in and the means devised to choose it. And nothing can ever be done to improve things overnight. It must be said that the membership is immeasurably stronger now than it was 20 years ago, and that the veterans of that period, admirable artists among them, had begun that process of improvement even then.

The problem is not so much that the Summer Show is always the same but rather that it always appears to be so, the style and density of the hang, the disposition of the galleries, even the physical nature of the place itself, all contributing to an insistent feeling of familiarity. But when we look again at the work itself, the differences really do begin to declare themselves if only we remember what was there ten years ago.

The major difference is one which embraces and justifies all the other changes, for it is now clear that the Summer Show, though it remains the object of amateur ambition, engages the support of practising professional artists, serious, competent, unexceptional, committed.

Though the members themselves may supply a gratifying gloss to the Summer Show—and with the likes of Blake, Hoyland, Allen Jones, Elizabeth Blackadder, Tindle, and Greenham among them, that is really no surprise—it is the rest who supply its substance and give it its characteristic flavour. The Academy is back firmly on the middle ground it always meant to occupy.

The sculpture is a subject in itself; I am increasingly persuaded that its representation in the Summer Show is unfair for being so necessarily constrained. Any strictures against particular pieces would be therefore arbitrary and invidious. All I shall say is that the Miro is a marvellous monster, and a fitting 90th birthday salute from the Academy to a great artist; and that the case for a separate sculpture open exhibition at the Academy could at least be argued.

The Summer Show continues until August 28.

WILLIAM PACKER

. . . and the mediocre curiosity shop

Colin Amery visits the RA's architecture exhibition—and leaves depressed

Every year it is harder and harder to imagine why any architect worth their salt bothers to show at the Royal Academy. The little room devoted to architecture is crowded with mediocrities with one or two worthwhile exhibits fighting to prove their very existence. It is much more like a cabinet of curiosities than a serious exhibition about the state of the art of architecture in Britain in 1983.

At a time when any student show in almost any school of architecture can produce beautiful drawings it is almost incredible that some of the ancient, and not so ancient, leaders of the profession can get away with some of the rubbishy presentations that are to be seen on the walls of Burlington House.

There is one outstanding new building proposal, the International Garden Festival Hall designed by Arup Associates. This is a large glazed building with a beautiful form. It will be a worthy successor to the great glass houses of Decimus Burton. The clarity of its plan and the elegance of the design makes this an outstanding achievement.

No one will be able to miss the presence of Britain's leading high-tech architect, Norman Foster. A model of his Hong Kong and Shanghai Bank—which was much better displayed in New York recently—dominates the room while outside in the car park a giant fragment of the polished and glazed structure glowers expensively at the passing traffic.

Apart from these two highly engineered projects what remains? The dozen or so Academician architects are allowed to display their wares as an automatic right.

The oldest architect Academician, Erno Goldfinger, has raked out two boring drawings of his 1960s housing estate in North Kensington. What a rigid and deadly place it looks in the drawings and the reality is worse. There are several of the losing entries from the National Gallery competition—one by the maverick architect Roderick Gradidge shows a very badly drawn Lutyens style dome on top of the existing building. Post modernism obviously does not go down well with any of the selectors.

There is a token entry or two by John Simpson who has designed a bar near London Bridge where he has suddenly rediscovered the lotus column. The same firm shows a chess set in the pastel colours of the moment and in classical forms.

A tribute to Richard Sheppard who died recently includes his firm's masterpiece, Churchill College at Cambridge. It looks well today with its good manners and unassertive presence among well landscaped lawns.

It is hard to believe that for the past two years the Royal Academy has been flirting with the idea of an exhibition of modern architecture. As a body it is clearly not of one mind on the subject and not particularly interested in the enlightenment of the public.

No one would believe that this is a fascinating moment in the development of architectural ideas, there is such a sense of déjà vu in this little lot that a visit to the architecture room can only depress the visitor.

There seems to be a spurious prestige attached to the Royal Academy. It does not uphold the highest standards in either art or architecture. It has no comprehensible exhibition policy except to follow the middle path—and endlessly beg for funds.

The Royal Academy could easily allow two or three of its fine galleries to be used on a regular basis for an intelligent and enjoyable series of architectural exhibitions. It occupies the best site in London, far more conveniently located than either of the RIBA exhibition spaces.

Loan exhibitions of drawings from the British Architectural Library with scholarly catalogues could, with a mixture of international and contemporary shows, lectures and films, make the R.A. a credible centre for the encouragement of a higher standard of aesthetic understanding of the art of architecture.

Everyone must have given up hope that the architect president will straighten his smock and make the Academy a centre of excellence. His period of office has been a miserable failure for architecture. It is time for some new blood and some new ideas—and a little imagination. If you believe in advancing the art of architecture this year's performance can only depress you.

Robert Cohan Gala/Sadler's Wells

Clement Crisp

"Thank you, Robert Cohan" was the message emblazoned on the tee-shirts worn by London Contemporary Dance School students at last week's gala honouring Mr Cohan's sixteen years as guide, inspiration and effective creator of a magnificent company and school. And, watching the beautifully trained, beautifully skilled bodies of the LCDT dancers in his *Class* which closed the performance, we could see every reason for this gratitude.

Thursday night also showed us Mr Cohan's *Stabat Mater* and his *Forest*, works which, like *Class*, indicate something of the creative range of his choreography, and illuminate how superbly he has achieved what Robin Howard, whose was the first impetus behind school and company, hoped he might do to bring American contemporary dance to this country and naturalise it.

This is, in essence, what Robert Cohan has done. His gifts as a teacher, his ability to inspire affection and great endeavour from his artists, his sensitivity to their talents as manifest in his dance works, are facets of a tremendous talent which we have been privileged to observe over these sixteen years in the sure but steady progress of the London Contemporary Dance organisation.

The recent great success of the troupe in New York, and the exultant performances that made this gala so thrilling, are the visible rewards of Mr Cohan's endeavours. The invisible but greater reward is the stature of the troupe, its creative energy and its technical assurance.

He has made contemporary dance authentically British. The dance style he has encouraged—powerful, clean, bright in definition and apt in expression—and the visual clarity with which he has signed his every creation, are now significant and potent forces in the dance culture of our time. And there is still, happily, much more for him to do. Not a panegyric, for all my admiration, and certainly not an obituary, this notice is my own tee-shirt expression of thanks. Thank you, Robert Cohan. And, honour where honour is due, thank you, Esso, for sponsoring the gala.

Bugsy Malone/Her Majesty's

B. A. Young

Jeremy Gilley

Alastair Muir

Bugsy Malone isn't only played by children—48 of them, aged between 10 and 16—it is played *for* children. I don't meant that the grown-ups won't enjoy themselves; on opening night they gave the kids a standing ovation of utmost enthusiasm.

But the story is a boys' paper version of New York gang warfare in 1929; the weapons the gangsters fight with are custard pies and "splurge guns," mock sub-machine-guns that fire blobs of foam; and two cars in the chase around the deserted warehouse are pedal-driven.

Michael Dolenz's stage adaptation of Alan Parker's film script is exciting and occasionally sentimental, but no one pretends that it is any more real than a game of cowboys and Indians. A game is in fact what we are seeing, but a game highly organised by Michael Dolenz, who is director as well as adaptor, and played with £1m worth of toys designed by Ralph Koltai, as well as some singable music by Paul Williams.

There is a simple plot to hang the excitements on. Bugsy (played on first night by Jeremy Gilley, but there will be alternating casts to meet the licensing regulations) loves Blousey (Jolese Waller) who wants to go to Hollywood and be a star. He acts as driver for Fat Sam (Lee Ross), a gang leader, in his attack on the rival gang of Dandy Dan (Waren Salre), for which he is paid $200. He is immediately mugged and loses the lot; but Leroy (Darren Lewis), who comes to his assistance, is so talented a fighter that Bugsy gets him a manager as a pro, and so makes another $400. I'm happy to say there's no conventional happy end; the last song of the evening, apart from reprises, is called "Down and out," and we finish with a tremendous all-in battle.

Kids' games are always unfairly slanted towards the boys, and so is *Bugsy Malone*. But Blousey is granted a magnificent dream of Hollywood, against a backdrop of "Hollywood" in shining capital letters, just as it is in the hills beyond Los Angeles. She shares a pretty song with a top-hatted-and-tailed chorus; and there is a rousing dance number by Fizzy (an enchanting black boy, Scott Sherin), who also shows up well as a singer when he tells us he "was born to be a dancer."

Don't expect to see any infant Oliviers or Gielguds. What these young people are doing is copying what they have seen on the movies and the television, no more than that. I suspect the songs are mimed to recorded tapes; Mr Gilley, aged 14, has an unbroken voice, but when he is singing he can reach somewhere round the A at the bottom of the bass stave. Any attempt at serious acting would spoil the illusion we have of seeing a lot of kids enjoying themselves. On the other hand, they are pretty well organised by Mr Dolenz, and the choreographer, Gillian Gregory, has made sure that their not-too-difficult dance routines are carried out keenly and smartly.

Mr Koltai's three-decker set is a wiz, giving us an instant sight of a score of different places with the aid of Joe Davis's lighting. The second and third storeys slide nearer or farther as called for.

Mozart's Die Entführung

David Murray

Die Entführung aus dem Serail returned to Glyndebourne on Sunday in Peter Wood's production — much criticised in 1980, somewhat revised now, but still a sad specimen. The performances are certain to improve during the run: the rough co-operation between pit and stage will be tightened, the spoken dialogue will be less halting, the new cast-members will find their feet, Ryland Davies' Belmonte will recover his voice (strained and scoopy at the start, he revived in the middle and then went into a lustreless decline). The production, I fear, is irretrievably sub-standard.

It looks like a well meant, tolerably competent rescue job on a dim operetta. For anyone who holds *Die Entführung* to be unimprovable in its own innocent terms, it is an affliction. Bluntly, Mr Wood seems quite insensitive to the expressive power of Mozart's music: at key points where it will carry everything if left alone, the production either hurries past or, more often, smothers it in stage-business. Where a dramatic effect—suspense or sudden joy or dismay—needs pertinent direction, it is fudged. Pedrillo's magical serenade is punctuated by crude alarums; the rapturous reunion-quartet is played staggering over cushions in what seems to be the Credit Card Room of a Turkish brothel, surveyed by a supernumerary voyeur (attached to Constanze like a pointless echo of the Marschallin's little Mohammed).

The new Constanze is Elizabeth Pruett, an interesting, slightly fragile soprano with two demeanours, passive melancholy and passive delight. Her "Ach, ich liebte" had serious "Dove sono" ambitions; "Traurigkeit" was impossibly slow and shapeless — Mozart would never have written for such a tempo without elaborate ornamentation; "Martern aller Arten" showed unexpected grip

Seiji Ozawa/Festival Hall

Max Loppert

Seiji Ozawa, a conductor of energy, a vigorous and pointed technique, and remarkably assiduous and discerning ears, is nearly a very fine Stravinsky conductor indeed; yet in each of the two Stravinsky performances given by the Philharmonia Orchestra and Chorus under his leadership on Sunday, there were passages of over-assertive detailing, of excessive underlining and point-making, that kept the whole work from being completely realised.

The tenor line of the chorus in the opening movement of the Symphony of Psalms was subject to roughness of tone and pitch. This flecked and spotted the impression; but even later on, when the absolute precision demanded by the music were beginning to be found at all vocal and instrumental levels, one tended to pay attention to the way phrasing was being moulded and punctuated, not to the gathering momentum of the music. In the finale, which Ozawa kept to an impressive steady tempo, the properly timeless, airborne majesty was never quite forthcoming — enjoyment of sound took precedence over full comprehension of sense.

Ozawa's *Oedipus rex* was very exciting: powerfully forged, urgently shaped, sung with commitment and security by the chorus and with splendid authority by the soloists—Robert Tear, Jessye Norman (immensely grand, statuesque, and passionate as Jocasta), Gwynne Howell, Martyn Hill. Alan Rickman, matter-of-fact, crisp, and unrhetorically poetic in his verbal emphases, was the best narrator I have heard. Yet here again, the whole work lacked wholeness—whether in the da capo of Jocastra's aria, softened and slowed-down for effect, or in the final choral narration, driven to white heat and massive climaxes, the intervening presence of the conductor was indicated in a way that seemed essentially, and even distractingly, un-Stravinskyan.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 27–June 2

Opera and Ballet

WEST GERMANY

Berlin Deutsche Oper: Lucia di Lammermoor has Edita Gruberova in the title role. Die Hochzeit des Figaro, produced by Götz Friedrich, has Lucia Peacock and Wolfgang Brendel in the main parts. This week's highlight is Puccini's La Boheme with Mirella Freni and Barry McDaniel. (34381).

Hamburg Staatsoper: Die Wundersame Schusterfrau by Bernd Alois Zimmermann; Die Hochzeit des Figaro with fine interpretations by Judith Beckmann and Harald Stamm. (351151).

Frankfurt Opera: Parsifal in the ultra modern production by Ruth Berghaus; Die Hochzeit des Figaro for the last time this season; Tosca, sung in Italian, with Raina Kabaivanska in the title role. Stravinsky's The Rake's Progress rounds off the week. (25621).

Cologne opera: Umberto Giordano's rarely-played Andrea Chenier, produced by Willy Decker, is premiering this month. It is conducted by Nello Santi and has Ernesto Veronellin in the title role. Fidelio with a cast headed by Jon Vickers and Johanna Meier, was revived triumphantly. Further performances are Don Pasquale and Turandot. (20761).

Munich Bayerische Staatsoper: Madame Butterfly has Gwyneth Jones in the title role. La Boheme stars Katia Ricciarelli in the part of Mimi. La Cenerentola, a Jean-Pierre Ponnelle production, features Barbara Daniel and Claus Hansjoe. Don Pasquale with an all-Italian cast is of respectable standard. Ein Maskenball with Ghena Dimitrova and Piero Visconti is well worth a visit. The new production of Orpheus and Eurydike, conducted by Eugen Jochum, has Brigitte Fassbänder, Lucia Popp and Julie Kaufmann. (21851).

VIENNA

Staatsoper (5324/2655): Der Barbier von Sevilla, Elektra, Tannhäuser.

Volksoper (5324/2657): Gasparone, Der Zigeunerbaron, Der Zarewitsch, Die Zauberflöte.

Raimundtheater (57 6626): Boccaccio (Daily except Mon).

LONDON

Royal Opera, Covent Garden: Die Meistersinger revival, not quite on the level of last season's, still has a good deal to commend it — notably Colin Davis as conductor and Hans Sotin, Lucia Popp, Gwynne Howell and Geraint Evans among the cast. Don Giovanni shows off a dashing new occupant of the title role, Samuel Ramey, one of the world's best Leporellos in Stafford Dean, and a commanding trio of ladies in Mmes Plowright, Te Kanawa and McLaughlin; Rolf Reuter makes his first conducting appearance at Covent Garden. (240 1066).

Coliseum (836 3161): Festival Ballet with Romeo and Juliet and a new triple bill.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre triple bill celebrating the work of Robert Cohan, followed by Cohan's Dances of Love and Death. (278 8916).

Geraint Evans at the Royal Opera, Covent Garden

PARIS

Verdi's Luisa Miller conducted by Giuseppe Sinopoli in a new production by Luciano Damiani with Luciano Pavarotti as Rodolfo, Nadine Denize as Frederica and Montserrat Caballe as Luisa. Paris Opera (742 5750).

Les Indes Galantes, Jean-Philippe Rameau's opera-ballet in a new production conducted by Philippe Herreweghe, Choreography by Viola Farber. TMP-Chatelet (261 1983).

Offenbach's La Belle Helene in a new production conducted by Alain Lombard at the Opera Comique (296 0611).

Colourful Mimes, acrobats and dances of the Peking Opera at the Palais des Congres (758 1458).

NEW YORK

New York City Ballet: New York premiere of Twyla Tharp's Once Upon a Time, to music of Alexander Glazunov and starring Mikhail Baryshnikov highlights the week's mixed repertoire. New York State Theater, Lincoln Center (870 5570).

Les Grands Ballets Canadiens: 25th anniversary of this versatile group, with a premier homage to Fred Astaire, in seven sections to various songs, as part of the mixed genres in their fortnight programme. City Center, 55th E. of 7th Av, 581 7907).

CHICAGO

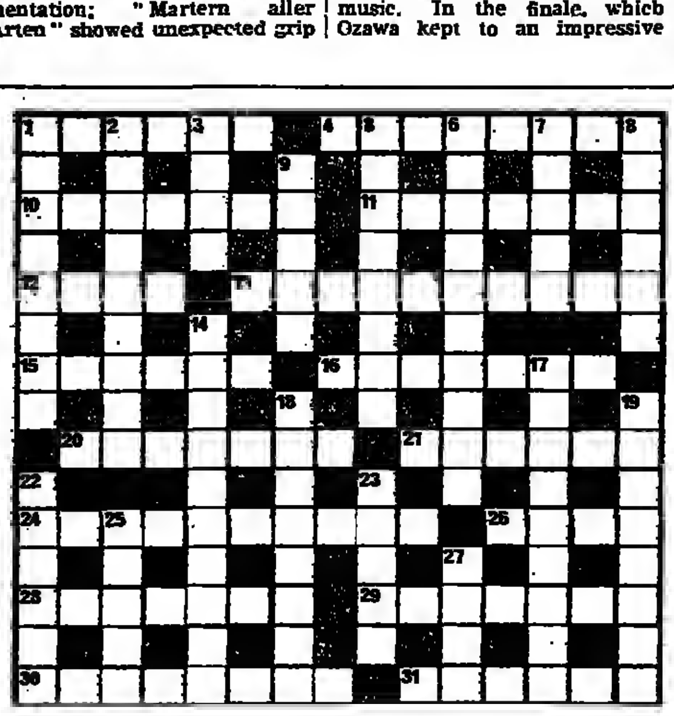
Barber of Seville (Athenaeum): Chicago Opera Theater production, in English, stars Cynthia Munzer as Rosina, Robert Orth as Figaro and Abram Morales as Count Almaviva, with Mark Flint conducting. (2936 N. Southport, 363 0555).

The Next Step (Auditorium Theatre): Dancer and choreographer Carrie Stern shows an Eastern influence in her work that combines autobiography with homage to American popular arts as well as reflections on such contemporary themes as the Iran-Iraq war. (70 E. Congress, 922 2110).

ITALY

Milan, La Scala: Schönberg Tryptich and Cosi Fan Tutte conducted by Riccardo Muti.

F.T. CROSSWORD PUZZLE No. 5,184



ACROSS

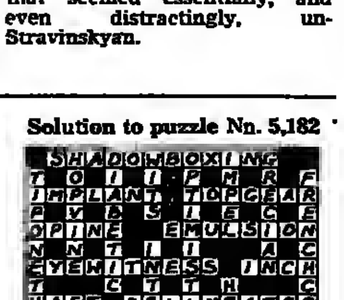
1 Capital maxim in time of conflict (6)
4 The courtesy of the townsman (8)
10 Bill can sing well, it seems (7)
11 One who swears or turns into a drunkard (7)
12 They may be pierced or just pricked (4)
13 Application for injury benefit, perhaps (10)
15 When I'd get into a brawl? (6)
16 Arab that is bound to be a wanderer (7)
20 Independent air of Ned's cat, perhaps (7)
21 and 24 Violence run forth, perhaps (6, 10)
26 Stand for no bull (4)
28 New moral we find in old writer (7)
29 Close shaves? (7)
30 Dog Latin as a composition (8)
31 Where French exchange rates would be ours? (6)

DOWN

1 Send a letter, but don't expect anything to come of it (5, 3)
2 Location for a bank-holiday? (9)
3 Altogether it's sour, but one drop is sweet (4)
5 Dependant paid for help when needed (8)
6 No jiggery pokery is beyond the grasp of the director (5, 5)
7 In short, it's an imposition (5)
8 One hundred in a cathedral city, said to be poor (6)
9 Threatened strike that doesn't come off (5)
14 Agitated speculator distributes shares (7, 3)
17 A host of local supporters (9)
18 A song about a subject one can't stand (8)
19 He is confused with praise, being a self-righteous chap (8)
22 War is a subject of many a novel article (6)
23 Give a rise to one in the army (5)
25 They have tense voices and moods (5)
27 The spirit of play? (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Solution to puzzle No. 5,182



FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday May 31 1983

Two cheers for Williamsburg

THE expectation of economic recovery bas dominated the atmosphere and the outcome of the economic summit et Wtlliamsburg. This economic optimism has allowed the seven beads of state to agree tbat tbe emphasis on containing inflation must remain and that the squeeze on structural budget deficits must continue. It ls a most valuahle international endorsement for Mrs Thatcher and ber policies in the run up to the British general etection. Whether it is an example of collective complacency to rival that of the leaders' last meeting at Versailles will only become apparent long after this election bas taken place.

Beyond a sustained and newly structured commitment to the new economic orthodoxy, the otber notable element was the joint statement on arms policy. It was something of a coup for tbe U.S. president that he could persuade European leaders of varying degrees of reticence—from a delighted Mrs Thatcber to a troubled President Mitterrand—and Mr Nakasone in Japan to come out with a united response to tbe latest Soviet threats to increase still further the number of intermediate range nuclear weapons deployed in Europe.

Complacency

Mucb of the current unease withln the alliance is ascribed to the lack of European faith in the style end motives of tbe U.S. president. The arms statement—thougb it bad nothing directly to do with the raison d'etre of these yearly meetings—was the most tangible sign from Williamsburg that the President was able to assert himself as Western leader and persuade his allies thet a show of defence solidarity was desirable.

An lmportant test of a modern summit is the postures adopted by the leaders and their ministers before their own media immediately afterwards. It was tha conflicting statements on East-West trade and the value of exchange rate intervention by central banks which quickly gave Versailles such a sour feel—and only later that the general impression of complacency asserted itself as the Western recession deepened and the international banking crisis broke.

There may be scope fnr a repeart after Williamsburg—and once again along the old Franco-American axis of tension—but the excuses for such a cow have this time been studiously reduced as far as possible. Tbe U.S. bas managed to restrain lts zeal in the matter of East-West trade. While President Mitterrand's idea for a new Bretton Woods monetary conference bas been resisted its underlying motive has not been ignored by any means.

The meatiest part of the communique last night was eimed at tempering the exchange rate volatility and the lack of economic policy co-ordination whlch the French president finds so worrying. The governments bave agreed to develop further the process of consultation on economic pollcy which was set in train at Versailles.

Review

To this end the five major economies, the currencies of wbich make up the Special Drawing Right of the IMF, will co-operate in a regular medium-term review of their fiscal and monetary policies through the IMF's "surveillance committee." The aim will be to react to unrealistic exchange rates and to reduce exchange rate volatility by a greater degree of convergence of economic policles.

This has involved setting guidelines along which these different national pollcies should converge. It is in these guidelines that the current orthodoxy of monetary and fiscal discipline are most visibly ensbrined.

We shall have to see bow this more structured quest for economic convergence works out in practice. But if there was one pointer to be wisbed fcom this summit it was towards greater acceptance of the interdependence of economies in the modern world and greater willingness of governments to take this fact into consideration in managing their countries' affairs. In this matter Williamsburg bas produced no giant step but at least a sbuffle in the right direction.

The Alliance all over the place

ONE OF the most striking features of the British General Election campaign so far has been the steadiness of the npinioo polls. If anything, the Conservative lead bas strengthened by a conple of percentage points or so, so that the Party's standing is now somewhere between 45 and 50 per cent. Labour has fallen back by about the same amount so that it is now in the very low thirties.

As for the Alliance, it may take some comfort from the marginal increase ln support shown by some polls published during the holiday weekend, but lt is still registering only around 20 per cent whlch would give lt fewer seats tban it had in the last Parliament.

With polling day littie more than a week away, two conclusions can be drawn. The first is that the Tory lead looks pretty well impregnable and the second is that the chances of a Labour victory look remote in the extreme. The more interesting queations therefore concern the Alliance. Why has lt been trailing so badly so far and can it pick up significantly in the next few days?

It was clearly concern about the poor performance to date that added urgency to the meeting of Alliance leaders at the weekend. Mr David Steel, the Liberal leader, we are told, will now play a more prominent part in the campaign with Mr Roy Jenkins—still tbe "Prime Minister-designate" — falling more into the background.

Confusion

Yet it cannot be only Mr Jenkin's image as a slightly elder statesman or the confusion sometimes sewn by the twin leadership which bas caused the Alliance to sag beyond expectations. Far more probable an explanation is an inability to establish a separate identity between the two major parties.

To put lt crudely, wbenever the Alliance leaders allow themselves their natural radical leanings, they begin to sound like Mrs Thatcher—Dr David Owen is only the most obvious example—and wbenever they retreat to the so-called politics of moderation, they begin to sound at best like a Labour Party Mark II.

It is sometimes said that the Alliance has no policies. That is quite untrue, as anyone who has read the manifesto, Working together for Britain, will testify. Tbere are far more policies there than contained (say) in be Conservative Party's equivalent. Some of them are rather good, like the plan for the complete integration of the tax and benefit systems. It is absurd that at present we should have 44 different means test. Here the Alliance could out-Thatcher Mrs Thatcber. Yet the plans for reform have hardly emerged as a keynote of the Alliance campaign.

Some of the policies are rather bad, like the proposals for a new prices and incomes policy, "agreed norms," "a single, independent assessment board for public service pay," and a "Pay and Prices Commission to monitor pay settlements in large companies." That reatly does sound like Labour Mark II or even III. For if there is one thing that the present Goveroment has proved, it is that it is possible to have wage negotiations without involving an excessive hureaucracy.

Achievement

True, unemployment and the fear of the dole have introduced a new discipline and there may still be problems in the public sectnr. It may also be true that wages are still rising too fast. As the accompanying article suggests, it might need a wage round of only 3-4 per cent to produce a virtuous circle in which international competitiveness rose while sterling remained firm. But the great achievement under the Thatcher Government has been to create a greater consciousness of the market place, both at bome and abroad.

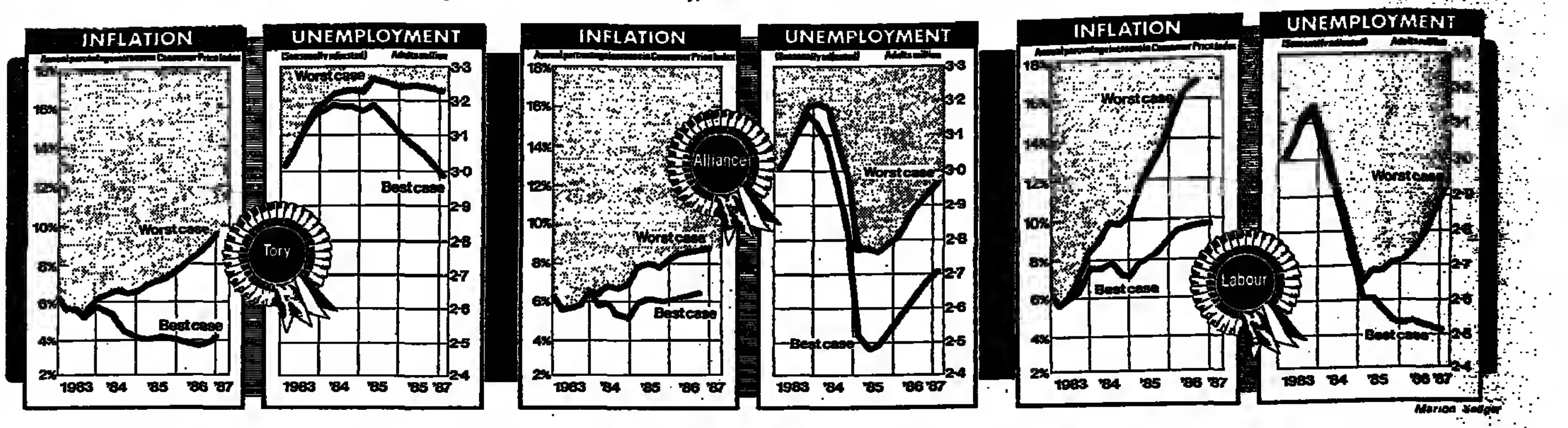
The Alliance bas only e few days left in which to establish a more distinct personality than lt has managed so far. It ought to be able to attack the bulk of the Government's economic policles more tellingly than lt has done to date. Read closely, the latest trends survey from the CBI, published today, is not all that cbeering.

The Alliance might also show more humanity than the Tories on social matters and on unemployment. Some of the Tory candidates, for instance, seem to be neither very liberal nor very internationalist. For the moment, however, the opinion polls are probably right: the Alliance does not look like a clear enough alternative to justify a major switch of votes.

BRITAIN'S ECONOMIC FUTURE

There are risks on all sides

By Max Wilkinson, Economics Correspondent



THE choice of economic policies offered to Britain's voters by the three main parties is not only much wider than in any election since the war, but in many ways more confusing.

Even the apparently straightforward Conservative approach is bedged with uncertainty, since it is, in an important sense, the most radical of the three. Unlike the Alliance or Labour strategies, it represents a clean break with the 30-year tradition of post war economic management.

However, in spite of tha differences of strategy, there is one major question which is crucial to the plans of all three parties: bow can they avoid the traditional British problem of wages running out of control?

This is the central question wbich emerges from a series of computer simulations designed to test the possible effects of the three pcogrammes and just completed by the London Business School.

The LBS analysis underlines the extent to which the three programmes offer different combinations of risks and benefits.

Broadly, the Conservatives offer the safest bet financially, but the least improvement for unemployment in the medium term. The Labour programme conld bring down unemployment, but not by as mnch as the party hopes and at the risk of a financial crisis if lt fails. The Alliance comes somewhere in between with higher risks of inflation than under a Conservative plan, but with a faster reduction of unemployment in the medium term at least.

To illustrate this range of possibla outcomes, tha LBS has done six simulations for the "best case" and "worst case" under a Conservative, Alliance or Labour government.

It should be stressed that these are not forecasts, since they are based on a number of fairly arbltrary assumptions about bow the pollcies might in practice be implemented. And, in case a Health Warning is neeoed, the graphs derived from this exercise should not be used to pick a winner on June 9.

They do, however, illustrate the different ranges of uncertainty attached to each policy and raise a number of interesting questions ahout them.

Firstly, they suggest that the Labour party's bopes for reducing unemployment to 1m in the life of the next Parliament are over-optimistic. The LBS thinks that even on a favourable view, it would be unlikely to get unemployment below 2.5m by the beginning of 1987, a cut of some 600,000 compared with the level expected by the end of 1983.

The Alliance's hope for reducing unemployment by 600,000 in two years could be achieved, in the LBS's view, partly through special employment schemes, hut even in the "best case" it thinks recovery might be too weak to sustain the fall in unemployment after the initial period.

This is because it foresees the possibility of renewed pressure on company profits if wage increases move ahead of prices. Companies, it is assumed, would follow the pattern of 1980 and 1981, hy keeping e tight rein on labour forces to reduce costs.

On the wage front, the LBS suggests that for the Conservatives a wage round of 3 to 4 per cent conld produce a virtuous circle in which international competitiveness rose while sterling remained firm, and public borrowing conld fall while taxes and interest rates were cut, thus belping to keep down prices and wage demands and to stimulate investment.

On the other hand, a wage round of 7 to 8 per cent next year could start the opposite process with a vicious circle of inflation, financial squeeze, rising unemployment and increased pressure on government borrowing. In this case tha LBS's simulation suggests that unemployment could go on rising until 1985, though it might then start to level out.

Mucb tha same uncertainty would face an Alliance government even thougb lts objectives are different. If its wage pollcy were broken, and inflation started to accelerate, the competitiveness of industry would come under pressure, the growth in output would slow down, and unemployment would start to rise again. The LBS suggests that on these assumptions a "worst case" Alliance regime might succeed in cutting unemployment by only 200,000 after four years, at the price of raising the inflation rate to eround 9 per cent.

The uncertainties surrounding a Labour programme are clearly mucb greater. Even the party's own economists have shown that success in controlling wages could be decisive in prodncing success or failure.

To tackle the long-standing problem of wages, the parties have three very different prescriptions:

● The Conservatives will rely, as at present, on tight monetary and fiscal controls, a slow rate of growth and the deterrent effect of high unemployment to keep wages down. A firm exchange rate may also help to control prices.

● The Alliance would use tax cuts to depress prices, and tbe threat of tax increases to deter companies from agreeing excessive wage settlements. If this failed, lt would impose a statutory incomes policy.

● The Labour party remains deeply divided abont how to restrain wages although it recognises that without some form of restraint its expansion plans would soon run into a financial crisis. Its manifesto avoids mention of incomes policy and talks only of discussions with the trade unions about the impact of "costs."

On wider economic policy, the Conservatives are not planning any significant reflation of the economy. Instead of trying to break out of recession by increasing government borrowing, as their predecessors would bave done, they plen to continue their efforts to reduce deficits to only 2 per cent of output by 1985-86, a very low figure hy international standards.

However, there is no modern precedent, in the UK at least, to help voters judge whether these tight financial policies can provide the basis for a significant cut in unemployment during tha next five years.

The Conservatives may be experimenting without a precedent, but on the other hand, Labour's more traditional remedy of increased public spending wonld be on a scale fer greater than any peacetime example — including probably the 1972 "Barber Boom" under the Heath government.

The exect size of Labonr's planned reflation is not spelled out in its manifesto, although an expansion of £11bn — almost one and a half times this year's public sector borrowing target — was proposed in Labour's alternative budget in March.

Even if this were phased in over more than one year, it is clear that major strains would be put on the financial and labour markets, with an obvious danger of an old-fashioned sterling crisis.

To counter these pressures, the Labour party has proposed a wide ranga of controls and arrangements designed to modify tha markets' behaviour. These inclnde:

● The re-introduction of exchange controls to divert the overseas flow of institutional investment into government securities.

● Administrative action to curb imports including perhaps direct controls.

● Price controls.

● Planning agreements with major companies.

● A national economic assessment which would include trade unions and "take account of the impact of future cost increases in tha future rate of inflation."

The major question about Labour's prescription is whether these controls could be effective in preventing the policy from being swallowed up in a series of financial earthquakes.

Even though it has said that it would welcome a "more competitive" level of sterling, too steep a fall would present it with the danger of a new inflationary spiral. Higher import prices resulting from the devaluation could lead to increased wage demands, which in turn could scare the markets into marking sterling down even further.

This is the main risk which persueded tbe Alliance to offer a mucb more modest fiscal injection, backed by a more explicit pledge to control wages, if necessary by a formal incomes pollcy.

The Alliance is more specific than the Labour party about the exact size of its stimulus. It says lt would increase public borrowing to around £11bn (compared with the current year's target of £8bn).

This eppears to be about half the increase in net borrowing that wonld be required under Labour's plans.

Both the Alliance and Labour base their strategies on an easier monetary policy, although neither bas explained the extent to which they would be prepared to "print money"

The Conservative option appears the safest financially, but according to the Business Scbool and most other forecasters, offers little hope on unemployment for the next three years.

If one takes a pessimistic view of both policies, the Conservatives might produce higher inflation and higher unemployment than the Alliance by 1986.

On an optimistic view, the Alliance might provide some 300,000 more jobs than the Conservatives in 1988 at a "cost" of some 2 percentage points on the inflation rate.

However, no economic model can say whether that is worth trying for.

THE GRAPHS summarise six possible paths for the UK economy, depending on whether the economic policies proposed in the election manifestos were successful or ran into difficulties. The assumptions used by the London Business School for these simulations are not the only ones that might be used but they help to illustrate the range of possibilities.

CONSERVATIVES

Best case: The pound remains firm at about its present level, interest rates fall somewhat faster than expected and wage demands continue to moderate, with average earnings rising at an annual rate of 4½ per cent in the spring of 1985. Low inflation leads to some easing of policies.

Worst case: Wage settlements do not fall significantly in 1984. Average earnings rise at 7 to 8 per cent. Partly as a result, sterling falls steadily. This increases inflationary pressures and forces the Government to take further restrictive measures.

ALLIANCE

Best case: Sterling falls initially by around 7 per cent but the rise in earnings is controlled for twn years by a wage policy. There is an initial fall in unemployment. However, the rate of increase in average earnings starts to accelerate from 1985 and a sqneeze on profits puts unemployment on an upward track.

Werst case: Sterling falls more sharply, generating greater inflationary pressure. Incomes policy is not successful in containing average earnings whieb rise about 2 percentage points faster than inflation in 1984. Direct action to cut unemployment is less successful and higher waga settlements rednce comptitiveness and slow down growth.

LABOUR

Best case: Sterling falls by about 15 per cent after the election bnt remains steady thereafter. Average earnings rise some 3 to 4 percentage points faster than the inflation rate, which is checked by price controls. Special jobs schemes make a substantial initial impact on unemployment and therefore the extra spending programme keeps the total moving down.

Worst case: Sterling falls more sharply to about 20 per cent below its present level. Inflationary pressure helps to push wage rises np substantially faster than prices. Real interest rates rise as a result of increased Government borrowing. International agreement is not successful in boosting exports, although imports are restrained by controls. However, in 1984 rising inflation causes the pound to fall again and the Government is obliged to defend it by tightening policies and reversing some of its high spending plans. Nevertheless, wages rise at an accelerating annual rate.

Men & Matters

ICI switches on

Can the entrepreneurial spirit be kindled in a company as big as ICI? That'a the challenge for a novel corporate venture hy the chemicals giant lnto electronics, a challenge already being met by some of its formidable competitors excited hy the idea of "electronic chemicals."

The entrepreneur ICI has chosen to bead the new electronics group, John Mellersh, bas had experience in trying to open new business opportunities for one of its most inventive divisions, organic cbemicals.

Mellersh, who reports direct to a main board director, sees the pcoblem as discovering bow ICI can make money out of electrnnics rather than how it can sell cbemicals to the electronics industry.

He is looking for much more added value than ICI'e traditional business in bulk cbemicals provides and be expects to collaborate, mainly with overseas firms, in joint ventures. Already be is talking to some "bousehold names" among the Japanese electronics giants.

"I guess basically we are selling science instead of products," be says. How does Mellersh rate his cbances as an entrepreneur in a rooted bulk chemical supplier? He has the public support of ICI chairman John Harvey-Jones and research director Charles Reece. "That's a bell of belp."

Almost elected

The quiet village of Chipping in the Ribble Valley, Lancashire, already has my admiration for insisting upon pink no-parking lines in the main street because yellow was considered offensive in the 17th-century setting.

But even that brave decision has been thrust into the background by an electoral storm that has swept the village.

Nothing to do with the General Election, of course—Cbippingites can take such goings-on in their stride.

In the much more important recent parish council election the village's popular—and only—butcber, Bill Robinson collected a paltry 76 votes. By the time more than 100 locals had commiserated with him his disappointment at bis sudden loss of support turned tn suspicion.

He carried out a count and found that more than 200 of his customers bad voted for him.

Confronted by an angry Robinson the Ribble Valley Council discovered that the voting figures bad been inadvertently switched.

The new parish councillor Dick Seed, fresh from a victorious champagne party, found himself suddenly dispossessed.

Thoroughly aroused by all this high political activity the villagers led by Terry Till, parish council chairman and local coal merchant, are demanding another election—on the day of tho General Election.

Mighty fakes

London is about to be awash with its annual glut of antiques fairs. Some of the dealers and collectors in town might be well edvised to visit an exhibition which Sotheby's is showing from June 13-15. It is of fakes collected by its former director of porcelain, Jim Kiddell.

Kiddell joined Sotheby's in 1921 and until bis death in 1980 had an unrivalled opportunity to sort out the fakes from the facience. Among tbe 60 items on show are a tureen in the form of a rabbit chewiog a leaf pretending to be Cbelsea, circa 1755, but really Samson, late 19th century.

The Great Exhibition of 1851 rekindled interest in 18th century porcelain and the Samson factory in Paris set to work making accurate copies. Samson is now collected—the tureen is worth £300. But then if lt had been Chelsea lt would be valued at nearer £10,000.

"...and 9/% of voters think Robin Day bad a hetter grasp of the issues at stake"

Offshore risks

There are fears that the professionals on the Channel Island of Jersey—the lawyers and accountants who act as nominees for offshore companies registered on the Island—may have to re-think their roles.

For a proposed change in the local law would mean they would have to take the blame for the doings of their masters—the real owners of the companies which the local men "front" on the island.

When Jersey's first Trust Law was being drafted the original idea of having officially approved and supervised trustees was dropped in favour of making the directors of a trust company personally liable for any breach of trust.

The definition of a director has been, until now, very loosely drawn to include any shareholder controlling more than one-third of the voting power.

But a new Trust Bill to come before the Jersey Parliament today would make the island's professional men answerable for the behaviour of their principals—many of whom have never been near the island.

Faced with that prospect the idea of being a nominee for a company operating off the island is suddenly looking less than attractive to the St Helier business community.

Mixed bag

A Northern Ireland Unionist Assembly member had just become a father for the first time when be met one of his constituents in Belfast—well, so the Irish Times tells.

Said the politician, "I mustn't have any more."

"Why?" asked the constituent.

"Because every second child born in Northern Ireland is a Catholic," replied the Assemblyman.

"Begod, you're right," replied the constitutent," I didn't think of that."

A colleague overheard the exchange.

"You sbouldn't have e third either," be whispered to the Unionist.

"Why not?"

"Because every third child born in the world is Chinese," replied his friend.

Observer

FOREIGN AFFAIRS: DISARMAMENT

Of histrionics and delusions

By Ian Davidson

THE confused babble in the British Labour Party over its supposedly non-nuclear defence policy has done more to divert and entertain the nation than anything contributed so far in the election campaign by the Conservatives. For the past fortnight its spokesman have been trying to reconcile one manifesto commitment — to "carry through" a non-nuclear policy within the next Parliament — with another, rather different, commitment—to place the British Polaris nuclear submarines on the negotiating table in Geneva.

By the end of last week, after much uproar, the emphasis seemed to have shifted somewhat from abandonment to negotiation, though given the tension between the unilateralists and the multilateralists, this shift may prove impermanent.

Labour's standing in the opinion polls, as well as other attitude surveys, suggest that the party's unilateralism is not a vote-winning ticket, and that Mrs Thatcher's resolute refusal to have anything to do with "one-sided disarmament" may be an electoral advantage. Nevertheless, the multilateralists in all parties are less than frank about the potential contribution that Britain could make to the arms control process.

The problem in placing Polaris 'on the table'

The multilateralists in the Labour Party do not explain how, or in what circumstances, Britain could autonomously decide to place the Polaris strategic deterrent "on the table" in Geneva; the multilateralists in the Conservative Party prefer not to contemplate the circumstances in which even a government led by Mrs Thatcher might be unable to prevent the British nuclear force becoming a component part of the negotiations in Geneva.

In these negotiations, it is the super-powers which matter. Given the disproportion between their colossal nuclear arsenals and those of Britain and France, there is no way that the European nuclear powers can, on their own, play an effective role in the bargaining; if they have a contribution to make, it can only be contingent on progress between the big players.

The Russians, of course, would love to include the British and French systems in the "Nato" totals, and their recent propaganda ploys have been based on the notion that their intermediate-range SS20 Euromissiles should be held down to a level equivalent to the British and French totals. But the point of this offer is not to make (illusory) concessions to Britain and France, but to secure an enormous concession from the Americans.

For if it were accepted, it would allow the Russians to keep *more* SS20s than they had when the Geneva Euromissile talks began 16 months ago, and it would require the Americans to sign away their right to deploy any cruise and Pershing II missiles in western Europe. Mrs Thatcher's toughness in refusing to allow Polaris to be counted in the Euromissile talks in Geneva is pure theatre because she has no real choice; Mr Foot's real problem in placing Polaris "on the table" would not be with the Russians, but with the Americans, and with the other European governments which back the 1979 Nato decision to seek an East-West agreement on land-based Euromissiles.

For the moment, these talks seem totally deadlocked, and there is little prospect of movement for many months to come. The Soviet Union has made a number of histrionic gestures, and the U.S. has been persuaded by its European partners to ease away from its starting position, which would have required both superpowers to forswear any deployment of long-range Euromissiles. But at the negotiating table there seems to be no rapprochement on the principle of U.S.-Soviet equality in this category of weapons systems. No doubt the Russians will continue to drag their heels in the hope that European governments will lose their nerve, and in the event refuse to accept the new American missiles.

The unilateralism in the Labour manifesto may be more a matter of idealistic conviction than of loss of nerve. But when Mr Helmut Schmidt, the former West German Chancellor, publicly advertises his doubts whether the Americans are negotiating seriously in Geneva, it can only suggest that resistance to the new missiles is likely to get stronger in Germany in the months leading up to deployment at the end of the year, and that the U.S. negotiating position may become even more difficult.

On the other hand, there may be less reason for pessimism over the parallel U.S.-Soviet talks in Geneva on inter-continental nuclear weapons. First, because the Americans already have parity in these strategic weapons, whereas they are negotiating from a position of weakness on the Euromissiles: the Russian SS 20s are already deployed, whereas the cruise and Pershing II missiles are not.

Second, because the Americans can take their own decisions on future strategic weapons, without having to depend on the uncertain determination of their European allies. Last week's vote in Congress, giving the go-ahead to the new MX land-based intercontinental ballistic missile, is a case in point, even if it comes after years of dithering. Moreover, MX is only part of President Reagan's vast rearmament programme; if the Russians regret the non-ratification of the second Salt treaty (and they do), they have even more reason to want to negotiate limits on Reagan's rearmament before it gets out of hand.

And third because, though there has been no perceptible progress so far, at least the two sides agree on one point of principle: they are both proposing a *reduction* in their strategic arsenals. The U.S. has suggested a 50 per cent cut in total ballistic *missiles* to about 850 on each side, and a one-third cut in the number of ballistic missile *warheads* to about 5,000, of which no more than half would be on land-based missiles. The Russians, less ambitiously, have tabled a proposal to reduce total *launchers* (missiles and aircraft) to 1,800 on each side, compared with around 2,000 now for the U.S. and 2,400 for the Soviet Union.

What makes this a particularly interesting phase in the Strategic Arms Reduction Talks (Start) is that the Americans are currently in the throes of revising their opening offer. The recent Scowcroft Report on America's strategic forces argued strongly that the current practice of building missiles with many warheads is destabilising, because it means that such land-based rockets present tempting and undefendable targets for the rockets of the other side. It recommended that in future the U.S. should shift from multi-warhead missiles to a larger number of small, single-warhead missiles, and that in the Start talks the U.S. should reassess its proposal for a reduction in numbers of missiles.

For if U.S. land-based ICBMs are vulnerable to attack by Soviet ICBMs, then a proposal to cut missile numbers proportionately more (by a half) than warhead numbers (a third), would make these land-based ICBMs even more vulnerable, and would thus aggravate the problem of instability.

The logic of the Scowcroft Report ought to lead the U.S. to abandon any ceiling for missiles, and concentrate entirely on cuts in the number of warheads. But since the Russian proposal is based primarily on the counting of launchers, and remains vague on the question of counting warheads, it seems probable that the U.S. will simply increase its proposed missile ceiling, from 850 to 1,200-1,250. If the Russians can then be persuaded to include a warhead ceiling, there could be the ingredients for an eventual compromise.

Obviously, a significant cut in strategic weapons could not be achieved overnight. It would have to be phased over several years, and a tight sub-ceiling of land-based warheads would require the Russians to restructure their forces considerably, since three-quarters of their warheads are currently on land.

Such an agreement assumes that the political leaders in Washington and Moscow could overcome the professional resistance of their respective military bureaucracies. But that resistance will be more difficult to overcome if Soviet reductions are scheduled to coincide with very substantial increases in the numbers of warheads deployed by Britain and France.

At present, British and French missiles muster around 290 warheads. After Britain has acquired Trident to replace Polaris, and after France has launched its sixth and seventh submarines and fitted them with multi-headed missiles, the Anglo-French total could easily top 1,000 warheads. Not merely would this represent a significant proportion of the warhead ceiling proposed by the U.S. (5,000), but the accuracy of Trident would give Britain the ability to knock out Soviet silos which it has never claimed to need.

Mr Francis Pym, the Foreign Secretary, has brushed this problem aside by depicting it as a remote contingency which can be consigned to a dim and distant future. Things may not be as easy as that. The Salt II treaty did not suddenly emerge from the signing ceremony on June 18, 1979; it was the result of five years' negotiations on the basis of fairly precise principles agreed at Vladivostok in 1974 between Gerald Ford and Leonid Brezhnev.

The Anglo-French warhead total could top 1,000

Some diplomats are already suggesting that circumstances may be propitious for another Vladivostok-type encounter. President Reagan only got the MX through Congress by promising earnest arms-control efforts. If he intends to stand again, he may want a summit meeting within the next year, to deliver on that promise. But if there were to be a Vladivostok-type meeting, it would unavoidably have to take in the prospective proliferation of British and French systems.

In short, Britain is neither as free to enter nuclear weapons negotiations as Mr Foot asserts, nor as free to stay out of them as Mrs Thatcher pretends. And the moment of decision could be quite soon.

Gerald Ford and Leonid Brezhnev at the 1974 arms limitation talks in Vladivostok

Lombard

The Maoists of Lord North Street

By Anthony Harris

IT WAS Mao Tse Tung who proclaimed the doctrine of perpetual revolution, and a fat lot of good it did him. Our home grown revolutionaries of the right, at the Institute of Economic Affairs, Lord North Street, seem to be getting into the same trouble. The question to which none of them have found a satisfactory answer is — if you are a temperamental revolutionary, what do you do after you have won?

These thoughts are provoked by the latest book from the IEA, *Agenda for Social Democracy*. The attempt to hijack the SDP in the course of market economics is not just a fairly witty joke; the IEA as is made clear by Prof Charles Rowley, in his essay in this collection, is worried because politicians tend to buy votes by selling principles. The Alliance, which has no sponsoring pressure groups, ought to be able to preserve doctrinal purity.

Apart from the central joke though, this is a desperately thin collection although there are one or two really useful points. For example, Stephen Littlechild points out that competition policy has yet to tackle the profession; and Ljubo Sirc usefully reminds us that although the co-operative ideal appeals to everybody's emotions, the experience of countries ranging from Yugoslavia to the U.S. is that they don't work very well. An effective economy does seem to need an entrepreneur

However, this is hardly the stuff of future revelations and the bulk of the book is taken up with restatement of old IEA positions which look increasingly Bourbon — you know, the people learnt nothing and forgot nothing. Lord Harris of High Cross, in a masterly survey of all the IEA achieved in the past, simply claims that monetarism and floating exchange rates were preached by the IEA before they were practised by governments. He doesn't seem to have noticed that they haven't worked very well. Jeffrey Wood, in what purports to be a study of the labour market, simply asserts that monetarism would solve most Macro-economic problems if we would only follow his advice and control the monetary base and leave it at that. I seem to remember that at other times Mr Wood has been a passionate defender of controlling Sterling M3 so perhaps IEA authors do learn from experience. They don't admit it, though.

This is all pretty sad. Anyone who has been commenting on economic affairs for more than five years can remember the time when the IEA was the spearhead of the right-wing counter-revolution.

So what should the IEA do? The obvious suggestion is to shut up shop with honour. This group really has loosened up our thinking; perhaps they do not belong in the establishment.

This seems to be far too defeatist. As the Littlechild essay reminds us, there is a great deal of useful work to be done on the old lines. The trouble is it means a lot of hard work. If, for example, the IEA wants to lead a successful assault on the professions, it means redoing the work botched by people like the Benson Royal Commission, and giving a radical *study* of the harm done by restrictive practices of solicitors, barristers, architects, doctors and the rest.

It also seems to me it is high time for the IEA to do some of the confessional work which the National Institute of Economic and Social Research does so well, and look back at its prescription saying frankly what worked, what didn't and why. This might not only be a useful cure for self-satisfaction but direct the thoughts of the market economists to subjects they seem to overlook.

For example, the troubles that have followed the floating of exchange rates and the attempt to manage the money supply might be found in the workings of the banking system. Is it possible that the competitive source which is so good for the industrial goose, gives a sour taste to the financial gander? This is only one of a whole list of topics which would surely be worth the analytical zeal of the fearless thinkers of Lord North Street.

But no more, please, of yesterday's revolutions. The revolutionaries now run the country, and like most revolutionaries, they have yet to learn to make a decent job of it.

Letters to the Editor

Enfranchisement of leasehold flats

From Mr P. Williams.

Sir,—At a time when the Conservative Party is preaching the virtues of home ownership for all, and encouraging local councils to sell homes at a substantial discount to tenants, why is it so silent in regard to the matter of lessees of flats belonging to private landlords enjoying the same rights?

I would also be interested to know why no move has been made to date to extend the provisions of the Leasehold Enfranchisement Act to include leasehold flats held at a ground rent of less than two-thirds of the rateable value.

It was obviously considered expedient to raise the rateable value limit in order that more houses could qualify under the provisions of the Leasehold Enfranchisement Act which fortuitously allow a number of MPs occupying houses in Westminster to either extend their leases or purchase the freehold. It is obviously not practical to provide that the lessees of flats should be allowed to purchase their freeholds for a number of reasons but they should enjoy the right in common with the lessees of houses to extend their leases up to, say, 125 years.

I also think that it is high time that the flat dweller was assessed for rating purposes on a much fairer and equitable basis, in that if you compare the assessment of the average house with a flat of a similar size, you will find that the rateable value of the flat is far higher than the house despite the fact that the amenities enjoyed by the house owner are infinitely greater. Why not, therefore, assess on the basis of capital value, which is common in New York, and each time the property changes hands the assessment is either increased or decreased according to the price obtained? This would save time consuming and expensive revaluation for rating purposes.

The present system of rating is archaic and should be changed, in my opinion. I think a very considerable number of potential Conservative voters in the inner London boroughs particularly are impatient to see some evidence of the Government implementing the measures that I have outlined, not purely as a vote-catching exercise but as a piece of social justice.

I am well acquainted with the arguments against extending the Leasehold Enfranchisement Act to include flats and none of the arguments I have heard really hold water. I think that if the provisions of the Act were extended to include flats, it would stop numbers of speculators who have specialised in buying in a number of blocks for break-up which is not one of the most attractive faces of capitalism.

I believe that Sir Brandon Rhys-Williams introduced a Bill to extend the Leasehold Enfranchisement Act to flats. I am concerned to see that there is no mention of such plans in the Tory Party manifesto. I think it may have cause to regret this seeming indifference as a result.

P. J. Williams.
6, Stratton Street, W1.

Southern African achievements

From the High Commissioner for the Republic of Botswana and Chairman of the Southern African Development Co-ordination Conference

Sir,—Your leader (May 26) was complimentary about the aims of the Southern African Development Co-ordination Conference (SADCC), but unjustifiably gloomy about its achievements.

You allege failure to attract private investment, in spite of a long list of potential projects. The facts are that these projects were presented only four months ago, at the SADCC conference with the international community held in Lesotho. Negotiations are currently in progress with private commercial investors from Japan, Finland, Germany, Brazil, India, Canada, Australia, Italy, Portugal and Britain on over 70 separate industrial projects.

Meanwhile considerable progress has been made on older-established programmes, and especially on transport and communications, where the first presentations to the international community were made in November 1980. Since then 44 projects have been started on the ground, and five of these completed, including important new telecommunications links. For an entirely new international organisation, working amidst the kind of regional pressures your leader describes, surely you are wrong to describe progress as "extremely slow"?

S. A. Mpuchane,
162, Buckingham Palace Road, SW1.

Negotiations at Birds Eye

From the General Secretary, Association of Professional, Executive, Clerical and Computer Staff

Sir,—Your report of May 24 missed out three essential points in discussing the recent ballot at Birds Eye Walls.

APEX has enjoyed excellent industrial relations with Walls Ice Cream for many years. When unionised sales staff from Walls were merged with non-unionised Birds Eye sales staff in a company reorganisation our members comprised 38 per cent of the combined force.

Management insisted on a ballot as to whether we should continue to negotiate for our members. In spite of unifying the sales staff they unilaterally imposed a salary increase of 4 per cent on the Walls staff and 5 per cent on the Birds staff. Talk about "negotiation through consultation" with unorganised staff is meaningless in this context.

In spite of this clear message 43 per cent of the staff still voted to be represented by APEX. Many Birds Eye staff would vote for representation by APEX if they believed that management would not discriminate against union members.

Let me assure them that this bribery and discriminatory treatment has been challenged by APEX which seeks equal treatment for all staff and a continuation of our negotiating agreement. We have asked the Advisory, Conciliation and Arbitration Service to intervene to ensure that these anti-trade union actions are ended.

Roy A. Grantham.
22 Worple Road, SW19.

Restrictive practices

From the Managing Director, Portsdown Engineering and Marine Sales

Sir,—The observer who has the opportunity to travel overseas to the new Pacific manufacturing industries which are now very successfully challenging our own productions finds himself in a different world.

There the restrictive practices which are a feature of British production do not exist and the flexibility of labour within the factory permits rapid change with ever increasing efficiency. Unlike the British procedures which can take many months of negotiations to proceed to a necessary change in methods. This unhappy state of affairs in our factories can no longer be allowed to continue.

In the past the unions were required to deal with a situation which is no longer relevant. Markets are now worldwide and the size of the market share will be determined by the efficiency of the producer. Additionally much work is now carried out supported by taxpayers subsidies or directly for government to be paid for from our taxes and it seems grossly unfair that additional taxes have to be raised to pay for restrictive practices by the workers — but that is how it is at present.

It would be too much to expect the unions to abandon these restrictive practices and government must take the lead, initially by inserting a clause in every contract for goods and services that restrictive practices have been eliminated within the premises of the supplier. Without this clause the tender would be thrown out! Give this some time to work its way through the system and we could perhaps look to a reduction in our costs for the government of this island.

Time is not on our side and without the present support of North Sea oil we would be in something of a mess. When the oil has disappeared we shall need a strong manufacturing base to support the population of these islands and every effort to provide for these days should start now.

W. M. Williamson,
194a Hovent Road, Drayton, Portsmouth, Hants.

An open-ended invitation

From Mr J. Harper

Sir,—I had hoped that Sir Lawrence Airey's generous invitation to write to him with relevant details of staff of his who cannot tell margarine from butter was a standing offer. I trust it has not closed after two months, like those breakfast cereal deals. If not, perhaps it is a little early for one who has led with his chin to publicly congratulate himself (May 20) with such hauteur.

I will be drawing the attention of delegates at the third annual UK Tax Congress to his letter, as a major taxation development of 1983, when I again jointly present the review of the past year.

Jack Harper.
21, Eltham Park Gardens, SE9.

FINANCIAL TIMES

Tuesday May 31 1983

Terry Byland on Wall Street

Mutual funds flourish

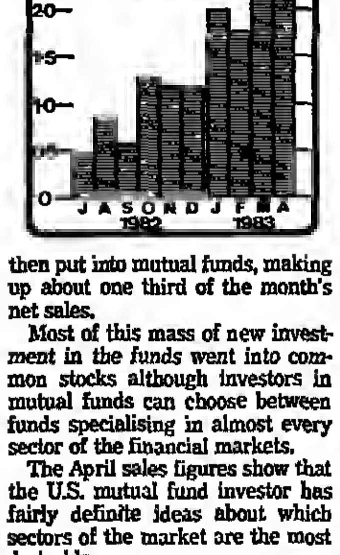
LAST WEEK'S announcement of another substantial upsurge in U.S. mutual fund sales in April bears witness to the torrent of investment flowing into the stock markets from private investors througout the country.

The roar of the bull market bas clearly lured back the bost of personal savers wbo drew in their horns a decade ago wben the first upsurge in world oil prices checked the post-war years of growth.

Mutual fund sales for April showed a record total of $3.5bn making $13.2bn for the first four months of this year – considerably more than for the whole of previous peak years.

The presence of the small investor was displayed yet more clearly by the substantial purchases of funds with cash saved in Individual Retirement Accounts (Iras).

The first $2000 on an Ira can be set against an individual's annual tax charge. As the April 15 year-end tax deadline drew near, there was a rush by the public to open Ira accounts and $1bn of Ira money was



then put into mutual funds, making up about one third of the month's net sales.

Most of this mass of new investment in the funds went into common stocks although investors in mutual funds can choose between funds specialising in almost every sector of the financial markets.

The April sales figures show that the U.S. mutual fund investor has fairly definite ideas about which sectors of the market are the most desirable.

Of the dozen categories into which the industry subdivides its types of fund, the biggest growth in sales, by far, came in the so-called aggressive growth rate and long-term municipal funds.

On a year-to-year basis, sales of aggressive growth funds jumped massively last month – from $153m to $1.2bn.

"Aggressive growth" in this context means, according to Mr Monte Gordon, vice president of research to the Dreyfus funds, "high technology, semiconductors, computers, all the data transmission area." In other words, the very share sectors whicb have been constantly in the front line of the market odvance.

Even greater sales growth has been recorded by funds investing in long-term municipal securities, of 20 years or more, sales of which topped $1.3bn last month.

The advantages of investment in municipal bonds for U.S. taxpayers is that dividends are payable tax free. Since 1976, mutual funds bave been allowed to pass on this benefit to bondholders.

The other categories of mutual funds are designed to cover the full range from income to capital growth, with special funds for such areas as corporate bonds or option investment.

In a separate category are the mutual money market funds whicb bave been recording steadily declining sales for the past six months, largely because of competition from the commercial banks which are now moving strongly into this market, which was opened to them only at the end of last year.

Private investors in the U.S. like to adopt an aggressive attituda towards investment. They are now responding vigorously to a bull market but have in the past reacted equally sharply to poor investment climates.

In the early seventies when equity investment was out of favour for a while, there was o net redemption of mutual funds and hurt and angry investors pulled their money out.

One question now asked inside the industry is whether the IRA accounts, where investors lose their tax privilege if they take money out under the age of 59½, will be a shield against redemption in bad times.

The size of April's contribution to fund sales from Iras may not be repeated.

But the industry has other shots left in the magazine. Only 15 to 20 of the 555 mutual stock market funds, plus nearly 300 money market funds, have significant exposure to markets outside the U.S.

● The Dow Jones industrial average sbed 7.35 oo Friday to 1,216.14 but was up 26.12 on the week.

Latin America loans by UK banks 'above equity'

BY ALAN FRIEDMAN, BANKING CORRESPONDENT, IN LONDON

LLOYDS BANK and Midland Bank of the UK each have loans to Latin America which represent 180 per cent of their total equity base, according to a new analysis of British banks prepared by International Bank Credit Analysis (IBCA), a London-based research company.

LATIN AMERICAN LOANS (£ bns)

	Barclays*	NatWest	Midland	Lloyds**	Standard Chart'd*
Loans	2.3	1.8	3.6	3.6	0.9
Equity	2.9	2.6	2.0	2.0	1.3

* Includes loans to all countries experiencing difficulties such as Eastern Bloc. These additional items are small.
** Lloyds has disclosed Latin American loans of £2.7bn, excluding Mexico.

Source: Published accounts and IBCA Banking Analysis

The IBCA report also claims that Lloyds Bank bas loans to Mexico which total £900m ($1.44bn). Lloyds Bank bas repeatedly refused to disclose its Mexican loans.

According to IBCA, Lloyds Bank has total Latin American loans of £3.6bn, against an equity base of £2bn. The £3.8bn includes some loans guaranteed by the Export Credits Guarantee Department (ECGD) and also includes loans made locally by Lloyds subsidiaries in Brazil and Argentina.

Lloyds Bank said at the weekend that the IBCA estimates were misleading because they included the ECGD and local loans. Mr Robin Monro-Davies, managing director of IBCA, said the estimate was based on a disclosure of £2.7bn of Latin America lending by Lloyds Bank and a record of £900m of Mexican loans by the bank which was found in a copy of a Mexican debt rescheduling document.

In the case of Midland Bank, IBCA says it has included equity of the Crocker Bank in California in arriving at its £2bn equity figure; that compares with £3.6bn of Latin American loans.

IBCA claims that while 1982 loan losses by British banks were almost entirely attributable to private-sector borrowers at home and abroad, some banks (including NatWest, Lloyds and Midland) have made general provisions that include 1 to 1½ per cent of total sovereign loans to countries in difficulties.

The report suggests that the disclosure of financial data by Barclays and NatWest is improving as a result of having to comply with U.S. requirements. IBCA criticises Lloyds Bank, however, for having excluded Mexico from its disclosed lending in Latin America.

"It seems to us somewhat disingenuous ... to give a figure for Latin American lending without pointing out that Mexico, which is Lloyds' largest single country exposure, is considered part of North America and hence is not included in this figure," says the IBCA report.

Brazil's crisis, Page 21

Labour and Alliance in bid to prevent Thatcher landslide

BY MARGARET VAN HATTEM IN LONDON

THE UK Labour Party and the Liberial-Social Democrat Alliance yesterday mounted vigorous attacks on Mrs Margaret Thatcher and her government, aimed at frightening voters with the prospect of an extremist right-wing regime.

Both political groups appear to have emerged from their weekend of mid-election tactical stock-taking with the conviction that a decisive Tory win is virtually inevitable. Both have decided on a rigbt-wing scare campaign centred on the Prime Minister's "secret" manifesto, to stave off the anticipated landslide.

Mr David Steel, the Liberal leader, said Mrs Thatcher had become obsessed with the idea of a landslide which would release her "not only from the normal controls of our parliamentary democracy, but from the conscience of her own party."

A modest majority would suffice to implement the Conservative manifesto, he told a public meeting in Edinburgh. But in order to implement her "concealed" manifesto – her secret plans to dismantle the National Health Service, undermine the education system, and destroy the welfare state – she needed to be free of the "Conservatives with a social conscience who are the villains in Mrs Thatcher's mind."

"Waiting in the wings are a host of hard-faced men and women whose aim is to do well out of the recession," he said. "A landslide victory will band Britain over to a new brand of Conservatives."

The theme of a sinister secret manifesto surfaced earlier in the day at a Labour Party press conference specially convened to launch a research paper on the "real Tory manifesto."

The paper, based on newspaper reports and other leaked accounts of Tory policy groups, is intended to show that Mrs Thetcher plans to close down coal mines, steel plants and shipyards; force down wages; emasculate the unions; force all families on to private health insurance and privatise the health and education services.

The press conference, chaired by Mr Denis Healey, deputy leader, and attended by Mr Michael Foot, Labour leader, Mr Jim Mortimer, party general secretary, and six other members of the Shadow Cabinet, was evidently intended to show that Labour's campaign was back on the rails after last week's debacle over defence policy.

Both Mr Foot and Mr Healey seized on the lack of real progress at the Williamsburg summit as further ammunition for attack. Mr Foot described the summit as "catastrophic," bringing no hope to the unemployed. Mr Healey, in robust form, went further. The West had missed its last chance for 12 months to head off economic disaster, he said. The Williamsburg failure brought the threat of an international banking collapse ever closer and placed every job and every company in Britain, under threat.

The Tories yesterday maintained a relatively low profile. Mrs Thatcher did not appear at the morning press cooference, which was dominated by solid economic discussion.

Mr Cecil Parkinson, the Conservative Party chairman, later denounced the Labour attack as "the most cruel and cynical exercise yet from Denis Healey's house of horrors." It would frighten all the most vulnerable members of society, he added.

More election news, Page 7

Tornado rejected by Spain

Continued from Page 1

The decision, which came on the eve of the expiry deadline for the provisional McDonnell-Douglas agreement, bad been expected to be made at last week's cabinet meeting, but was put off for last-minute adjustments to the package of "offsets" that Spain is due to receive in the deal.

Including industrial participation in the project, transfer of technology and trade compensations on non-defence sectors, offsets were put at $1.8bn at the time of the first 84-aircraft agreement.

The six squadrons of twin-jet F/A-18S will progressively from the basis of Spain's figbter force alongside the same number of French Mirage F-1S. They replace aging squadrons of U.S. Phantoms and F-5S and Mirage IIIs, totalling some 120 aircraft in all.

The Spanish Government's decision is a severe blow to Panavia, the European group building the Tornado multi-role combat aircraft.

The Anglo-West German-Italian Tornado was offered to Spain with a big offset arrangement for the support of Spanish industry, to try to beat the U.S. aircraft.

It was seriously considered by the new Spanish Government

Irish Forum faces unity differences

BY BRENDAN KEENAN IN DUBLIN

SHARP DIFFERENCES of approach to the question of Irisb unity emerged bere yesterday at the opening session of the New Ireland Forum, which is intended to produce a consensus on new political structure in a united Ireland.

Besides the three main Irish parties, the forum is being attended by the mainly Roman Catholic Social Democratic and Labour Party (SDLP), the chief constitutional grouping of the nationalist community in Northern Ireland.

Mr Charles Haughey, the leader of the main opposition party Fianna Fail and a former prime minister, in a hardline opening speech called for a complete political and military withdrawal by Britain from Northern Ireland.

Mr Haughey's remarks drew e noticeably frosty reaction from Dr Garret FitzGerald, the Prime Minister and leader of the Fine Gael/Labour Party coalition.

Dr FitzGerald, who is known for having a more conciliatory attitude towards Northern Protestants than Fianne Fail appeared much more flexible, and even allowed for the possibility that the forum would fail, although he thought it unlikely that it would. He said the forum could not hold back from any structures, or any solutions which would guarantee the unionists and nationalists traditions in Ireland.

The most impassioned speech came from Mr John Hume, the leader of the SDLP. He feared that unless a new approach was found, "we will all be engulfed in a furious torrent of hatred, violence and despair."

Mr Hume has most to gain or lose from the forum. If the forum should collapse, it will provide a major boost to the Provisional Sinn Fein, the political wing of the Provisional Irish Republican Army. The Provisional Sinn Fein is trying to erode nationalist support from the SDLP by standing for Westminster seats at the June 9 general election.

Mr Hume was the driving force which persuaded Dr FitzGerald to set up the Forum. His personal prestige is riding on the project. Originally all political parties involved in Northern Ireland were invited to attend.

Yesterday Mr James Molyneaux, the Official Unionist Party leader, accused Mr Hume of setting up a rival body to the Northern Ireland Assembly.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	22	72	Malaga	S	27	81	Salzburg	F	21	70
Akrotiri	S	28	82	Faro	S	20	68	Malta	S	23	73	Seoul	S	29	84
Algiers	C	21	70	Florence	–	—	—	Manila	S	39	100	Singapore	S	32	90
Amsterdam	F	14	57	Frankfurt	C	14	57	Miami	R	30	86	Stockholm	C	17	63
Athens	S	25	77	Funchal	S	20	68	Milan	F	21	70	Strasbourg	F	18	64
Bahrain	S	37	99	Geneva	F	20	68	Moscow	F	25	77	Sydney	S	18	64
Bangkok	S	34	93	Gibraltar	F	22	72	Munich	R	18	64	Taipei	S	32	90
Barcelona	S	21	70	Guernsey	F	13	55	Nairobi	F	24	75	Tangier	F	22	72
Beirut	S	25	77	Helsinki	S	27	81	Naples	–	—	—	Tehran	–	—	—
Belgrade	F	23	73	H. Kong	C	30	86	New Delhi	S	37	99	Tel Aviv	S	23	73
Berlin	C	15	59	Innsbruck	S	21	70	New York	S	16	61	Tenerife	S	22	72
Biarritz	S	23	73	Inverness	S	9	48	Nice	F	19	66	Tokyo	C	27	81
Blackpool	C	15	59	Istanbul	C	18	64	Oporto	C	17	63	Toronto	R	15	59
Bordeaux	F	22	73	Jersey	R	13	55	Oslo	F	13	55	Tunis	S	30	86
Brussels	S	16	61	Jo'burg	S	17	63	Paris	C	18	64	Valencia	S	22	73
Budapest	F	24	75	Las Palmas	S	21	70	Prague	S	15	68	Venice	S	21	70
B. Aires	C	15	59	Lima	–	—	—	Reykjavik	S	10	50	Vienna	S	21	70
Cairo	S	37	99	Lisbon	F	19	66	Rio de J'o	R	30	86	Warsaw	F	19	66
Cape Town	F	17	63	Locarno	C	18	64	Rome	S	25	77	Zurich	S	18	64
Caracas	C	29	84	London	F	14	57								
Casablanca	S	20	68	Los Angeles	C	27	81								
Copenhagen	F	13	55	Luxembourg	F	14	57								
Corfu	S	24	75	Madrid	S	23	73								
Dublin	S	13	55	Majorca	S	24	75								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Monetary policies to be reviewed

Continued from Page 1

vergence and international co-operation to help stabilise exchange markets.

Productivity and employment. Special measures to improve training and the mobility of labour forces are to be considered, as well as the usual reliance on market forces in the labour market. The governments clearly have in mind an extension of special training and employment measures to combat the widespread unemployment in the industrialised countries.

They are also pledged to encourage research and development and to improve international co-operation.

British industry sees more signs of recovery

By Robin Pauley in London

THE Confederation of British Industry (CBI), the employers' organisation, says that its latest industrial trends survey shows further signs that British industry may be pulling out of recession. But it expresses caution about the strength and durability of an upturn.

The CBI's May monthly trends inquiry of more than 1,800 companies shows that 18 per cent more companies are optimistic that their volume of output will rise over the next four months than are pessimistic.

Optimists have now outnumbered pessimists every month since February, although the optimists significantly lost ground in May despite the further cut in bank base rates on April 14 which should have given a further boost to confidence. Confidence is nevertheless still much stronger than in the spring of 1982, when the economic recovery, heralded by the Government, proved to be a false dawn.

But there is a feeling among some leading industrialists that it might be premature to talk about the end of the recession. For example, the trends survey today indicates that 85 per cent of companies think their present stocks of finished goods are either adequate or more than adequate, although the margin of replies indicating that stocks were too high fell to 9 per cent, the lowest since 1979.

The recovery in economic activity was fired by the consumer boom that started last summer when mortgage interest rates fell and credit restrictions were eased. The CBI survey confirms that consumer spending remains the key stimulus: "Order books remain considerably weaker for the capital goods sector than for the intermediate and consumer goods industries with order books reported weak particularly for mechanical engineering," says the May report.

About half the companies think their export order books are normal hut 38 per cent report they are still below normal. Last week's exceptionally poor trade figures showed a dramatic shift into deficit by the manufacturing sector this year with imports of finisbed manufactured goods rising much faster than exports.

Overall manufactured exports in the first quarter of 1983 were 2 per cent down on the last quarter of 1982; the overall import volume of manufactured goods was 9 per cent up over the same period, reinforcing the view that much consumer demand has been met from a mixture of stocks and imports.

There has also been a small but encouraging increase in industrial production – 1½ per cent up between the last quarter of 1982 and the first quarter of 1983 indicating that demand, if it can be maintained, is starting to filter back into order books. But the CBI also reports signs of restocking in some areas.

The CBI regional reports, confirming increasing activity and confidence, also demonstrate the patchiness of recovery and stress repeatedly that improvements are all from an exceptionally low base. Industries such as shipbuilding and heavy engineering remain depressed with electronics and high technology the leading sectors.

The CBI report from the East Midlands, the industrial heartland, says the slow and steady improvement in demand seems to beve been maintained. "Optimism for the future is usually tempered with the fact the any increases in demand are from a very low base and some companies report possible shortages in supplies should the rate of increase of demand accelerate."

In the West Midlands, where unemployment reached 15.5 per cent of the workforce last month, CBI members report that the upturn in activity seems to be continuing, although in almost all sectors the upturn is from a very low base. "At the moment the rise in activity is being viewed with caution and more time will be needed before the positive trend towards recovery is fully confirmed."

Sterling and $ stronger

Continued from Page 1

than usual, the dollar and sterling both maintained their strength of last week, closing in Frankfurt at their highest levels for six months. The dollar closed at DM 2.5155, a third of a Pfennig above its close in New York on Friday, while the pound reached $1.6055 after clearing $1.61 at the fixing compared with $1.60475 in New York on Friday.

THE LEX COLUMN

Building societies in a cleft stick

The building societies are wasting no time in making use of their new-found freedom to issue certificates of deposit (CDs) in the London market. This year's Finance Bill permitted the societies to broaden their funding sources by paying interest gross on CDs, and already half a dozen societies are dipping their toes in the water.

The building-society movement is not a complete stranger to the wholesale markets. Almost two years ago, there was a sudden fashion among the medium-sized societies for syndicated credits, rapidly followed by the introduction of negotiable bonds from the Nationwide. CDs, however, offer considerably more flexibility and could easily wreak the most dramatic change yet in the liability structure of building-society balance sheets.

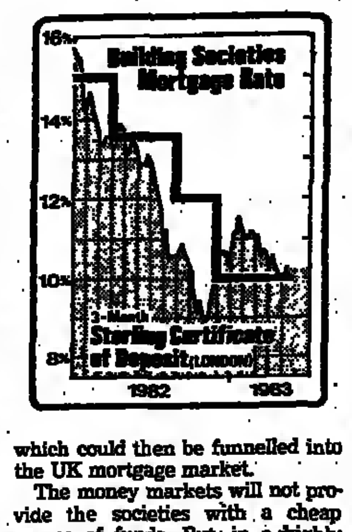
The Chief Registrar of Friendly Societies, who keeps a wary eye on such matters, has recommended that for the moment no society sbould obtain more than 5 per cent of its total deposits from the wholesale markets, putting an effective cap of £3.5bn on the industry's access to wholesale money.

Reluctance

But, if the experiment proves successful, that percentage should rise progressively to perhaps 20 per cent and the omens to date are auspicious. As paper ineligible for rediscounting at the Bank of England, building society CDs should expect to attract a margin of ⅛ per cent above comparable bank paper. At the end of last week, however, Nationwide paper was apparently being placed at a margin of only 1/32 per cent.

Moreover, the reluctance of the clearing banks to accept these CDs as collateral appears to be wilting, removing a principal barrier to marketability. The aim of the societies is eventually to establish their own secondary market in CDs, enabling surplus liquidity to be redistributed within the movement along the lines of the inter-bank market.

The very keen rates being achieved by the societies must be a reflection of their present novelty value, which will obviously diminish over the next few months. But they have already set up a strong bridgehead and are exploring other funding sources beyond the traditional High Street depositor. Last week, the Leicester Building Society was examining the feasibility of establishing an offshoot in the Isle of Man to attract offshore deposits



which could then be funnelled into the UK mortgage market.

The money markets will not provide the societies with a cheap source of funds. But, in a highly competitive market for personal savings, CDs would last year still bave been marginally cheaper than retail deposits. Collection costs are almost non-existent and, with wholesale funds accounting for such a small proportion of the total balance sheet, the absolute cost of money may not be the first priority.

More important, perhaps, is that broader access to funds would enable the societies to justify a lower liquidity ratio than they felt comfortable with in the old, restricted environment. A figure of 15 per cent, rather than the historic norm of nearer 20 per cent, might become acceptable. Since the combination of buoyant demand for home finance and a declining savings ratio has pushed them almost to the lower figure in any case, that argument must be particularly compelling.

The Bank of England is likely, for the moment, to take a benign view of the budding new CD market. True, the sale of CDs to the banking system may have a notionally expansive effect on sterling M3, since the societies themselves are outside the monetary sector. But at least the bank will be able to monitor the flow of funds. Whether it would be so welcoming towards offshore deposit takers, which are largely beyond its purview, is another matter.

Some of the smaller societies, however, must be anxious. A cartel with as many members as the building society movement rests on the premise that there is no differentiation of risk among either borrowers or lenders. The wholesale market is more selective. Building societies outside about the top 12 could easily be faced with the choice of paying a premium for funds or losing even more market share to the big boys.

The wholesale markets would provide the societies with a fallback source of funds if ever, for example, the aggressive marketing of national savings bonds upset their calculations in the retail market. But they would also find it much harder to regulate their cost of funds, while the increased imbalance between short-term liabilities and very long-term loan assets would hardly find a place in text-books on banking prudence.

The societies are already running on wafer-thin interest margins of around 0.2 per cent and, over the past year, they have been able to produce a decent return only through capital profits on gilt-edged securities which, as discount houses know only too well, is no fail-safe source of income. The added unpredictability of wholesale funds might well persuade them to adjust their lending rates to the prevailing market more rapidly. Anomalous mortgage rates, such as the present 10 per cent are something of a luxury.

Loan demand

The clearing banks will watch with interest the entry of the building societies into a financial market of which they have long experience. They can hardly complain about the move, since their own decision to de-emphasise home loans helped to impose on the societies the loan demand which they are seeking to meet through the money markets. There is some irony in the fact that the clearers will be indirectly funding building society mortgages by buying – together with discount houses and commercial companies – the certificates of deposit.

Yet the clearers are unlikely to welcome any move by the societies on to their own turf. The societies bave made little secret of their wish to enter the field of commercial banking – not to mention insurance and conveyancing – and the Governor of the Bank of England has recently warned about the danger of allowing institutions which are accountable to virtually no one into the sensitive and risky world of banking. For the moment, the societies will presumably apply their wholesale money exclusively to the housing market. But it is perhaps a measure of the controversial long-term potential that they are currently treading so carefully on this uncertain ground.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, A.V. Hare, R.A.F. McClean, M.C. Gorman, B.A. Lawrence, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C. E. P. Smith, Frankfurt/Main.

FINANCIAL TIMES
Tuesday May 31 1983

AIBD threatens to take a more interventionist line

BY MARY ANNE SIEGHART IN LONDON

THE EUROBOND market has always prided itself on its freedom from regulation. It is not like a domestic capital market where borrowers often have to queue to issue bonds and the central bank runs the show. In the Eurobond market borrowers come and go as they please and the main constraint is what the market does or does not want to buy.

There are a few other restrictions. The Association of International Bond Dealers (AIBD), to which most of the bouses involved in the market belong, has its own code of practice, consisting of rules and recommendations. But as M Damien Wigny, its chairman, says: "The AIBD is an entirely volnotary, self-regulating organisation. Any member can free himself from the regulating process by leaving the organisation."

The AIBD takes the line that most market difficulties can be solved by the market itself. But at this year's conference and annual general meeting, held in The Hague last week, the association threatened to take a much more interventionist line.

The issue at stake was the role of commission brokers, such as Purcell Graham, Mabon Nugent International, and Guy Butler.

The big market makers – which use their own capital to make two-way prices in the secondary market and bold inventories of bonds – originally invited the brokers into the market with the idea that the brokers would act as intermediaries between different market makers. In this way the market makers could find out from the broker which were the highest bid or the lowest offer prices without having to give away their own prices to rival houses.

But many people suspect the brokers are dealing not only with market makers, but also with end investors. The market makers feel their client bases are being eroded and that the brokers are making money out of them without putting any capital at risk. What is more, if a market maker sells through a broker be bas to pay commission.

M Wigny summed up the AIBD lina at The Hague: "The brokers are playing a very useful role when they deal between market makers. But they're playing a destructive role if they use the prices of the market maker to deal with a client of that market maker.

"Then the incentive for the market maker to put capital at risk is disappearing. We could end up with fewer and fewer market makers and that would be detrimental to the market as a whole. We want to ensure the best liquidity possible in the secondary market, and that is what the market makers are doing by putting capital at risk."

The AIBD's proposed solution was set out in a new rule presented to the annual general meeting: "Commission brokers being members of the AIBD shall confine their service to recognised market makers. For the purpose of this rule, recognised market makers means any firm mentioned in the list of market makers in the AIBD weekly Eurobond guide. Commission brokers can be asked by the board to submit from time to time to a client audit."

It was this last sentence which caused the most uproar. The AIBD looking through a member's books? It was unheard of.

Tension was high when the votes were cast. First a unanimous vote supported the counter-proposal that the audit provision be removed. Then a show of hands on the amended proposal was inconclusive. A ballot was taken and the result announced: 224 in favour, 106 against, 11 abstentions. But wait a minute – there were meant to be 377 voters present. So the Yes votes were not enough to form the necessary two-thirds majority to amend the rule book.

INTERNATIONAL CREDITS

Struggling with Brazil's crisis

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

LAST WEEK was another week of suspense for the Eurocredit market as it struggled to come to terms with the deepening liquidity crisis of its largest customer, Brazil.

With about $900m in foreign payment arrears Brazil faces a delay in disbursement of the $411m tranche of International Monetary Fund (IMF) money originally due to be released today. Simultaneously commercial bank creditors are withholding payment of $633m, due to be made available from the $4.4bn medium-term loan facility granted to Brazil earlier this year.

Yet this shortfall need not in itself make the country's cash crisis worse. The money was almost entirely earmarked for repayment of earlier bridging loans granted by the Bank for International Settlements and leading commercial banks.

So long as these lenders also agree to a delay in repayment, Brazil need not be immediately worse off as a result of its failure to satisfy targets set out in its IMF programme. As this realisation has grown, fears in the marketplace that the country might declare a full-scale moratorium on its $84bn foreign debt bave begun at least temporarily to abate.

This is not to say that the situation is no longer acute. Brazil's existing foreign payments arrears are still lower than those accumulated by Argentina at their peak, yet their impact is potentially more serious since they could eventually impair Brazil's ability to trade internationally. This could prevent it achieving the $6bn trade surplus on which its whole debt rescue effort hinges.

Dogged pursuit of extra money through the interbank market continued last week to little avail. Interbank lines to Brazilian banks, which are supposed to reach a minimum of $7.5bn under the programme, are still languishing around the $6bn mark, and there is little sign of any willingness in the banking community to make extra money available through alternative channels.

The market is waiting for a conclusion to Brazil's negotiations with the International Monetary Fund. An IMF mission is due to visit Brazil soon to look at the books more closely

Brazil, for its part, bas already undertaken to announce measures to reduce its fiscal deficit, particularly through the elimination of subsidies.

While this process continues, few bankers foresee much change in the pattern of late payments and arrears, which Brazil believes should decline naturally from July as the effect of its increased trade surplus is felt in its cash flow.

The real test for the banking system would come, however, if the IMF's review of Brazil's economy did throw up a need for much more external financing. In view of the failure of Brazil's programme to date, many bankers find it bard to see how smaller banks could be persuaded to put up much more money.

Unlike Mexico, Brazil underestimated its needs when first drawing up its rescue package. Yet Mexico, even though it is now in good standing with the IMF, bas still not completed arrangements to reschedule $19.7bn of public sector debt falling due this year and next.

Intensive work on this was proceeding last week in New York, and this week similar efforts will be made for Argentina as mid-year approaches and bankers are forced to realise that no single Latin American country bas completed all the arrangements needed to put its debt on an orderly footing for 1983.

Even when Mexico's public sector debt rescheduling is settled the private sector debt problems will remain. Although Mexico is not now expected to need fresh loans in 1983, bankers expect that the Bank of Mexico will bave to refinance about $500m in private sector interest arrears in the autumn.

Meanwhile more countries are entering the refinancing arena. Panama has announced that it will need about $300m in the next two years and is forming an advisory group of creditor banks to help arrange the finance.

In Europe two new credits were announced last week. Danish Export Finance has mandated the Bank of America International to raise $150m over seven years.

Italy's Istituto Mobiliare Italiano bas launched a $100m credit designed to finance Italian exports. Part of the deal, amounting to $77.3m, will be broadly syndicated at a margin of ½ per cent over London interbank offered rate for three years, rising to ⅝ per cent for the remaining 5½.

INTERNATIONAL BONDS

Little sign of a receptive market

BY OUR EUROMARKETS CORRESPONDENT

IT MIGHT just have been because the bulk of the dealing community was away in The Hague last week, but Eurobond dealers still at their desks apparently decided that the Province of Ontario was a better risk than the U.S. Government.

Its 10¼ per cent bonds due 1990 were trading on Friday afternoon at a yield of 10.78 per cent, below the 10.86 per cent available on U.S. Government seven-year paper. And this was not a unique situation. By comparison with the U.S. market, yields on Eurobonds are looking distinctly unattractive almost across the board.

Yet this is more a feature of a currency-driven market than a topsy-turvy assessment of credit ratings. In quiet trading Eurobond prices fell by about ¾ points last week as six-months Eurodollar deposits climbed by ¼ point to 9½. But the fall was restrained by the strength of the dollar in exchange markets. which gives many European investors little incentive to sell.

As a result price falls in the Eurobond market have lagged behind those in New York, a situation which normally tempts North American borrowers to switch their attention to the Eurobond market.

At the moment, however, there is little sign of the Eurobond market being receptive to new paper. Many bouses still have inventory on their books, built up earlier this month when interest rates appeared to be headed lower. There were only three new issues in the dollar market last week and none was exactly a star performer.

Security Pacific's $100m, 10½ per cent issue was languishing on Friday at a discount of about two points on its par issue price. It was regarded as too tightly priced for an issue by a commercial bank.

By contrast the issue with warrants for I.C. Industries was increased to $100m from $75m and traded on Friday at around par. Although the issue was helped by an increase in the borrower's share price during the launch period – the warrants allow purchase of equity and/or more fixed rate paper – some dealers felt that the structure was too complicated. Stripped of the warrants, the bonds were quoted at 84, which gives an effective yield of more than 12 per cent.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Amadeo §‡	15	1998	15	7½	100	Morgan Grenfell, Shearson/Amex	7.500
Sandoz §‡	59.36	1995	12½	5	100	UBS Secs.	5.000
IC Industries ¶‡	100	1991	8	9⅞	100	Orion Royal, Paribas, UBS Secs., Merrill Lynch	9.875
Security Pacific ‡	100	1988	5	10½	100	SG Warburg, Morgan Gty., SBCI	10.500
Orient Leasing §	50	1998	15	5¼	100	Daiwa Europe, Paribas, Baring Bros.	*
D-MARKS							
SATS ‡	100	1990	7	8¼	99¾	BHF-Bank	8.299
World Bank ‡	250	1990	7	7½	99½	Deutsche Bank	7.595
SWISS FRANCS							
Ushio **§‡	40	1989	–	3⅝	100	SBC	3.625
Japan Exim Bank ‡	100	1991	–	5⅝	100	UBS	5.625
Oest. Draukraftwerke ‡	100	1993	–	6	100	CS	6.000
Sumitomo Forrestry **§	40	1989	–	*	100	CS	3.750
Kansai Elec. Power **‡	100	1988	–	5⅞	100	UBS	5.875
Yamato Transport **§	50	1988	–	*	100	UBS	3.750
Sanden Corp. **§	50	1989	–	*	100	Banca della Svizzera Italiana	3.750
Nat. Australia Bank **‡	100	1989	–	5⅜	99¾	CS	5.425
Mitsubishi Plastics Inds. **§	35	1988	–	*	100	SBC	3.750
STERLING							
CEPME ††‡	35 0	1995	11.4	11¼	100	Hill Samuel	11.250
Iceland ‡	15	2016	33	14½	101¼	Hambros Bank	14.319
ECUs							
Rank Xerox ‡	50	1988	5	11⅜	100	Soc. Gen. de Bque., BBL, Kredietbank	11.375
YEN							
Queensland Elec. Bd. **	5bn	1993	9	8.6	*	Nikko Secs.	*
Enel **‡	5bn	1993	9	8.6	99.85	Bank of Tokyo	8.809
Mtge. Bk. of Denmark ‡	15bn	1993	9	8.2	99.75	Nikko Secs.	8.407

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Ø Minimum. § Convertible. ¶ With warrants. †† Convertible into a dollar FRN. 0 Increased by 5m. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Second-guessing the Fed again the number one sport

M1 IS SURGING (did someone say M1?), and with further signs that the U.S. economy is recovering. Second guessing the Fed is once agoin the number one sport on Wall Street.

Memorial Day came yesterday at a crucial juncture. The holiday bas provided the financial community with a further chance to take stock of the current sad state of the U.S. credit markets and what is actually known of Fed policy, as opposed to what is rumoured.

Bond prices fell again last week, although the pace of the decline seems to bave slowed. After the Fed announced another big jump in M1 of $2.1bn, bringing the increase over the past three weeks to $13.7bn, the Treasury long bond fell to 95¾ to yield 10.86 per cent. The price decline on the week amounted to over balf a point and the decline over the past three weeks to around five and a half points.

U.S. INTEREST RATES (%)	Week to May 27	Week to May 20
Fed funds wkly aver	8.72	8.59
3-month T-bills	8.53	8.35
3-month CDs	8.75	8.65
30-year Treas bond	10.94	10.82
AAA Utility	11.75	11.62
AA Industrial	11.75	11.62

Source: Salomon Bros. (estimates). In the week ended May 18 M1 rose by $2.1bn to $509.2bn.

The depressed state of the market reflects beightened investor nervousness. For the moment at least the negative factors appear to be overwhelming the positive ones and it looks as though there are more negative ones to come.

The M1 surge has placed the narrowest and least reliable money measure about $16.8bn over its target and bas firmly focused market attention back on the weekly number. M1 is growing at an annual rate of 15.2 per cent, and while most economists continue to believe the Fed will not be swayed by M1 alone, there are nagging doubts.

The March Federal Open Market Committee minutes, released on Friday will have done little to ease these concerns. While the minutes show that the FOMC made no real policy change at that meeting, they also show that the Committee set interim targets for M1, as well as M2 and M3 growth between March and June, and appeared to give M1 somewhat more attention than it has done since last October.

The FOMC emphasised, however, that it contioued to consider M1 unreliable. Although M1 haa grown substantially faster than either the 6 to 7 per cent interim target or the 4 to 8 per cent loog-range target, M2 and M3 remain comfortably within both the short- and long-term targets, and should remain so despite an expected seasonal increase in May.

Whot really worries the market is whether the FOMC, at its meeting last week, or at soma late date, might feel obliged to tigbten to retain credibility. For the moment, most senior Wall Street economists believe this is unlikely.

The Fed gave no clues after the meeting, aithough the fact that the Fed funds rate did not depart from its recent trading range was taken as a good sign. Nevertheless, particular attention is likely to be paid in coming weeks to statistics.

Whatever the figures, credit market activity will probably remain depressed because of the prospect of a buge tranche of new Treasury offerings.

Last week Congress lifted the Treasury debt ceiling. The Treasury responded immediately with a snap auction of $7.77bn of two-year notes which sold at an average yield of 9.92 per cent, up from 9.61 per cent at the April 20 auction.

The Treasury has to raise about $20bn in fresh cash from note and bond auctions in June starting with the auction of $5.75bn of five-year notes tomorrow.

None of this sounds too bealthy for the corporate sector. Last week corporate prices followed Treasury issues down and new issue volume dropped to a mere $540m.

Paul Taylor

Mitsubishi Motors suffers 41 per cent setback

BY YOKO SHIBATA IN TOKYO

MITSUBISHI MOTORS suffered a 41 per cent fall in pre-tax profits to Y18.06bn ($6m) in the year ended March, having been affected by a slump in sales of passenger cars and a recession in the truck market.

Unconsolidated net profits fell by 4 per cent to Y12.67bn, on sales of Y1,061bn, down by 1.9 per cent.

The number of vehicles sold decreased by 10 per cent to 1,032,000 units with sales of passenger cars down by 7 per cent to 548,000 units, and of trucks by 14 per cent to 485,000 units. In particular, passenger car sales to the domestic market dropped by 23 per cent.

In order to restructure its domestic sales network, the company, last October, bought inventories totaling 30,000 units worth Y34.3bn from its sales subsidiary "Mitsubishi Motor Sales," which affected overall sales.

The company plans to introduce new passenger car models in the current yeor and the recession in the truck market is expected to bottom out. As a result, car sales are expected to reach 1,130,000 units, up by 9.4 per cent and pre-tax profits are forecast of Y24bn, up by 33 per cent. Net profits should reach Y13bn, up by 2.6 per cent and sales Y1,170bn, up 10 per cent.

JAL loss smaller than expected

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN AIR LINES has reported a pre-tax loss of Y27.1bn ($113.8m) for the 12 months ending March 31 1983. The loss was slightly less than forecast but still represents a spectacular decline from the modest profits earned by the airline in 1981-82.

The loss reflects a deficit on operations of Y8.3bn (down from the previous year's Y12.1bn profits) together with non-operating losses of Y18.77bn. JAL cites high fuel costs (caused mainly by the deterioration of the yen exchange rate) and inflation in countries other than Japan as tha two major factors involved in expenditure increases.

High non-operating losses were due to a 20 per cent jump in the airline's interest payments on aircraft purchases.

Tha airline expects business to improve during the current year as a result of declining fuel prices and a general recovery in the world economy. Its preliminary forecast is for a Y500m pre-tax profit for the year. Efforts will be made, bowever, to raise this figure by cutting costs further.

Japanese City banks ahead

TOKYO—Japan's major commercial banks posted higher net income in the year to March.

All of the 13 City Banks, except for Daiwa Bank, released their results yesterday, and said net profits rose by between 4.1 per cent and 16.6 per cent.

Six of the 12 said operating revenues declined but only Sanwa Bank saw margins narrow, as net profits rose 4.3 per cent on operating revenues up by 4.4 per cent.

International operations remained a crucial contributor to revenues with all 12 banks posting double-figure increases, ranging from 10.7 per cent at Dai-Ichi Kangyo Bank and 51.7 at Hokkaido Takushoku Bank.

Whereas first-balf net profits had shown double figure rises at all 13 banks except Kyowa Bank, full-year increases were more modest. Only Kyowa and Saitama Bank saw full-year increases of more than 10 per cent.

Sumitomo Bank's net income rose 7.8 per cent to a record Y59.99bn, the highest in the group but on operating revenues up by 1.1 per cent to Y1,618bn the fourth-highest among the 12. Sumitomo ranked third in deposits, behind Dai-Ichi Kangyo and Fuji Bank.

Saitama Bank's 16.6 per cent rise in net income was tha sharpest of all 12 banks. Second-place went to Kyowa Bank

Fuji Bank's 7.6 per cent rise in operating revennes was the highest among the group, as was Hokkaido Takusboku Bank's 51.7 per cent surge in revenues from international operations.

Dai-Ichi Kangyo Bank posted the smallest rise in revenues from international operations, a 10.7 per cent rise to Y42.7bn. Net income rose 4.1 per cent to Y37.08bn on operating revenues down 2.4 per cent to Y1,843bn.

Fuji Bank said net income rose 8.3 per cent to Y56.52bn as operating revenues odvanced by 7.6 per cent to Y1,778bn.

Mitsubishi Bank lifted net income by 4.4 per cent to Y40.7bn on operating revenues down 1.9 per cent to Y1,624bn.

Sanwa Bank's net income rosa 4.3 per cent to Y36.64bn while operating revenues increased by 4.4 per cent to Y1,572bn.

Mitsui Bank saw net income increase by 7.9 per cent to Y24.84bn despite a 0.3 per cent fall to Y1,205bn in operating revenues.

At Tokai Bank net income was 5.0 per cent higher at Y23.13bn. Operating revenues slipped 0.8 per cent to Y1,087bn.

Taiyo Kobe Bank lifted net income by 8.7 per cent to Y17.79bn on revenues down 2.4 per cent to Y905.7bn.

Bank of Tokyo saw net income ahead by 4.9 per cent to Y24.33bn and operating revenues 3.8 per cent higher at Y1,493bn.

Kyowa Bank's net income rose 11.4 per cent to Y12.12bn while operating revenues fell 1.9 per cent to Y546.04bn.

Saitama Bank's net income was 16.6 per cent higher at Y12bn and it's operating revenues rose 4.6 per cent to Y513.09bn.

Hokkaido Takushoku Bank lifted net income 8 per cent to 9.33bn and operating revenues by 3.9 per cent to Y417.15bn. AP-DJ.

Downturn for Seiko Watch company

By Our Tokyo Staff

K. HATTORI, the worldwida marketing organisation for Seiko Watch products, suffered a 24.6 per cent setback in unconsolidated pre-tax profits to Y1.8bn in the year to March.

Sales fell by 4 per cent to Y350bn but because of a sharp reduction in taxable profits, net profits jumped by 104.5 per cent to Y4.97bn. Profits per share improved to Y51.78, from Y25.33.

Despite a 4.1 per cent increase in sales volume of watches, lower prices of inexpensive watches and bigher proportion of such watches in total watch sales, dragged down the value of sales by 7 per cent. Clock sales also fell by 7 per cent but sales of system computers rose by 23 per cent.

The deterioration in pre-tax profits was blamed on increased net financial deficits and the suspension of dividend income from overseas subsidiaries.

A rapid recovery in the watch and clock markets is not expected in the current year, but sales of jewellery and system computers are expected to increase sharply. Dividend income from overseas subsidiaries will also resume and pre-tax profits are expected to increase by 6.2 per cent to Y6.5bn, on sales of Y360bn, up 2.8 per cent.

Lower sales hit Minibea profit

By Our Tokyo Staff

MINIBEA, tho Japanese maker of precision bearings, saw unconsolidated pre-tax profits fall by 12.5 per cent to Y2.5bn ($10.7m) in the half year ended March, as a result of lower sales of machinery components and fasteners to the car industry.

Unconsolidated net profits were 25 per cent down at Y1.58bn, on sales of Y45.5bn, up 2.3 per cent. Profits per share for the half year were Y8.57, compared with Y12.71.

For the current full year, the company expects a steep recovery in its main line, bearings. Full year sales are expected to to reach a record Y100bn, up by 10 per cent. Operating profits are forecast at Y7.8bn, up by 36.5 per cent, and net profits at Y3.9bn, up by 12 per cent.

Australia sets up new inquiry into financial system

BY MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIA'S Labor Government is setting up a four-man task force to re-examine the country's financial system.

Mr Paul Keating, the federal Treasurer, said at the weekend that the new inquiry would consider whether the recommendations of the Campbell Committee of inquiry into the Australian financial system, which reported in November 1981, could be used to accommodate Labor's social and economic aims.

But the Treasurer has advised foreign banks not to proceed further with applications for Australian banking licences. The previous Liberal-National Party government has said it was prepared to admit abont 10 foreign banks, but Labor would prefer to see licences go to new domestic banks.

The Campbell Committee, chaired by the late Sir [illegible] Campbell, recommended [illegible] entry of foreign banks, [illegible] as sweeping deregulation of the financial system.

The new inquiry is expected to produce a report in about three to four months.

Areas to be studied include recent developments in the financial system, the regulation of banking and of non-bank financial institutions, and the possible need for additional forms of domestic borrowing, including indexed government securities.

Labor it keen to help facilitate the flow of funds, at modest cost, to the housing, farming and small business sectors.

Mr Keating said the new report would "provide the basis for issuing publicly an assessment of the appropriate structure of the financial system."

Grace board comes out in favour of Myer bid

BY OUR SYDNEY CORRESPONDENT

GRACE BROTHERS Holdings, the beleaguered Sydney-based retail and transport group, has advised shareholders to accept the A$3.65 a share takeover offer launched last month by rival retailer Myer Emporium, in preference to an earlier offer by Mr Alan Bond's Bond Corporation Holdings.

Myer's offer, in cash or a combination of cash and securities, valued Grace Brothers at A$213m (U.S.$185m).

Bond's offer of one cumulative preference share, redeemable for A$4.50 cash in three year's time, valued Grace at approximately A$280m, but was less popular with Grace. The Bond bid came after Myer had paid A$43m for a 19.7 per cent stake in Grace Brothers

Jacobs-Suchard share sale

BY JOHN WICKS IN ZURICH

UP TO 30,000 bearer shares in Jacobs-Suchard the Swiss foodstuffs concern may be offered for sale by Colima Holding, of Zug which holds part of the Jacobs family's stake in the company formed by the merger last September of the Interfood chocolote group and the Jacobs coffee company.

At the time of the Interfood-Jacobs merger, a total of 132,600 bearer shares of SwFr 500 nominal value and 351,000 registered shares of SwFr 100 nominal value in the new company were issued to former Jacobs shareholders. These were made up of Colima Holding, individual family members, and a few persons close to the family.

Since any share sale would involve only a maximum of 30,000 bearer shares and no registered stock, the family would retain both a majority shareholding and majority voting rights.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¾ 90	100	97¾	98¼	0	−0¼	10.66
Amro Bank 13 89	200	107⅜	107⅞	0	−0¼	11.23
Bk. of Amer. 8 88 XW	150	89¼	89¾	−0½	−0¼	10.94
Bk. of Tokyo Hd. 11 90	100	99⅛	99⅝	0	−0¼	11.12
British Col. Hyd. 10¼ 89	200	99¼	99¾	+0⅛	−0¼	10.37
Canadair 12⅛ 89	175	100	106½	0	−0⅝	11.00
Canadian Wheat 11¼ 90	50	101½	102⅛	0	−0⅛	10.82
CIAC 11 90	75	98	98½	−0¼	−0¼	11.37
Citicorp O/S 10⅜ 90	100	96⅞	97⅜	−0⅛	−0¼	10.98
Coca Cola Int. 9⅝ 92	100	25¾	25⅞	−0⅛	−0⅛	10.63
Coca Cola Int. 11¼ 89	100	104¼	104¾	0	−0⅛	10.71
Cr. Suisse Bah. 10⅛ 90	150	99¾	100¼	−0¼	−0¼	10.48
Credit Suisse 10¾ 89	100	102⅝	103⅛	0	−0⅛	9.86
Den Norsk Crd. 11¼ 93	50	97⅛	97⅝	0	−0¼	11.68
Du Pont 11¼ 95	150	102⅞	103⅜	0	−0¼	10.75
EDC 10¾ 88	100	99⅞	100⅜	0	−0¼	10.88
EDC 11¾ 87	100	102⅝	103⅛	−0⅛	−0⅛	10.85
EDF 11⅛ 93	100	97⅛	97⅝	−0⅛	−0¼	11.58
EEC 10¾ 95	75	96	96½	−0¼	−0½	11.33
EEC 11½ 95	200	99⅞	100⅜	0	−0¼	11.46
EIB 11 91	125	99⅜	99⅞	−0⅛	−0⅛	11.06
Forsmarks 13¾ 92	75	107⅞	108⅜	0	−0⅛	12.21
Fuji Int. Fin. 10⅝ 90	100	97¼	97⅞	−0⅛	−1	11.38
Gaz de France 12¼ 93	175	101¼	101¾	0	−0¼	11.98
Gen. Elec. Credit 9¾ 91	100	15¼	15¾	−0¼	−0¼	10.59
Gen. Elec. Credit 12 89	100	106¼	106¾	0	−0⅛	10.64
GMAC O/S Fin. 10⅛ 90	200	100	100½	−0⅛	−0⅛	10.42
Gulf Oil Fin. 12¼ 87	100	103¾	104¼	0	−0⅛	11.04
Honeywell Int. 10¾ 90	100	100	100½	0	−0⅛	10.68
IBM Wld. Trade 12¼ 92	200	109¼	109¾	0	−0¼	10.56
Ind. Bk. Japan 10⅞ 89	100	98⅞	99⅜	−0⅛	−0¼	11.10
Japan Air Lines 10⅞ 98	42	96⅞	06⅜	0	−0⅞	11.42
Merrill Lynch 10¾ 90	200	99⅛	99⅝	+0⅛	−0⅛	10.83
Midland Int. F. 11⅛ 92	150	101⅜	101⅞	0	−0¼	11.18
Mitsubishi Cpn. 10¾ 90	100	96⅞	97⅜	0	−1	11.11
Nat. West. Fin. 11¾ 92	190	103¼	103¾	0	−0¼	11.11
Nippon Credit 11 90	100	97¾	98¼	+0⅛	−0⅛	11.43
Nippon Credit 11⅛ 93	100	98⅜	99⅛	−0¼	0	11.43
OKB 10 91	100	94⅝	95⅛	0	−0⅞	10.97
Ontario Hydro 11⅛ 89	200	103	103½	0	−0¼	10.51
Ontario Hydro 12¾ 92	200	108⅜	108⅞	−0¼	−1	11.18
Prudential O/S 10⅛ 93	100	99½	100	−0⅛	−0⅛	10.86
Prudential O/S 12¾ 87	150	107⅜	107⅞	0	−0⅛	10.45
Quebec Hy. 11½ 92 (O)	100	101⅝	102⅛	0	−0⅛	11.10
R. J. Reynolds 12¾ 89	100	106	106½	0	−0⅛	11.28
Saskatchwn. Pr. 10¼ 90	125	99½	100	+0⅛	−0¼	10.79
SNCF 11¼ 93	100	99¼	99¾	0	−0¼	11.57
S. Cal. Edison 10⅛ 90	75	99	99½	0	−0½	10.65
Swiss Bk. Cpn. 10¾ 90	125	102	102½	0	−0¼	9.75
Texaco Capital 9¾ 90	150	95⅜	96⅛	0	−0¼	10.59
UBS 10 88	100	101¼	101¾	−0¼	−0¼	9.60
UBS 11 89	150	103¼	104¼	−0¼	+0⅛	10.10
Walt Disney Pr. 12½ 89	75	105¾	106¼	0	−0¼	11.02
Westpac Int. Fin. 11 90	100	97¼	97⅞	0	0	1.38
World Bank 10¼ 89	150	99	99½	0	−0¼	10.55
World Bank 10⅞ 93	100	98¾	99¼	−0¼	−0⅞	11.03
World Bank 11½ 98	100	99½	99¾	−0⅛	−0¼	11.19

Average price changes... On day 0 on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 6⅞ 93	200	99¾	100¼	+0⅛	+0⅛	6.90
Bank of Tokyo 7⅛ 90	100	99¼	100¼	0	0	7.22
Bayer Capital 7⅝ 89	150	102⅝	103⅛	−0⅛	−0¼	7.02
Caisse N. Energie 8 93	100	99¾	100	−0¼	−0⅛	8.05
Caisse Nat. Tele. 7¾ 93	200	97½	98¼	0	−0¼	8.00
ECSC 7½ 93	150	98⅝	99⅝	−0¼	−0¼	7.72
EEC 7¾ 95	200	99¾	100	−0⅛	−0⅛	7.79
EEC 8 94	200	99⅞	100⅝	0	−0½	7.96
ESCOM 8½ 90	150	100⅝	101⅛	−0⅛	−0½	8.29
Eurofima 7½ 91	100	101	101½	−0⅛	−0⅛	7.25
Ferrovie Dello 8¾ 89	150	101⅜	102½	+0⅛	+0⅛	8.18
H. J. Heinz Int. 6⅞ 88	60	100½	101¼	−0⅛	−0¼	6.55
Int.-Am. Dv. Bk. 7¾ 92	200	97¼	98¼	−0⅛	−0⅛	8.08
Int.-Am. Dv. Bk. 8¼ 93	150	100¼	101	−0⅛	−0¼	8.14
Ireland 8½ 90	160	100⅝	101⅛	0	−0¼	8.24
Ireland 8⅞ 91	150	100⅝	101⅛	0	−0⅛	5.24
ITT Antilles 7 93	200	97¾	98¼	−0⅛	−0⅛	7.29
McDonalds Fin. 7⅛ 92	100	100¾	101¼	−0⅛	−0¼	6.97
Mitsui OSK 7¾ 88	100	100	100½	−0¼	−0⅛	7.14
Mount Isa Fin. 7¾ 90	100	98⅛	98⅞	0	0	7.91
Quebec Hydro 8 93	200	101¾	102¼	−0⅛	−0¼	7.69
Sweden Kingdom 8⅛ 90	150	102	102½	−0⅛	−0⅛	7.76
Volkswagen Int. 7¼ 93	200	97⅛	99⅛	−0⅛	−0¼	7.58
World Bank 7⅛ 93	200	96⅞	97⅜	−0¼	−0¼	7.65
World Bank 7½ 93	300	98	98½	−0⅛	−0⅛	7.74

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

	Issued	Bid	Offer	Change on day	Change on week	Yield
Trizec Corpn. 8¾ 91	100	101¾	102	0	−0¾	5.94
Un. Bk. Norway 5¾ 93	60	97	97¼	−0¼	−1	5.76
Volvo 5¾ 91	50	99	99¼	0	−0¼	5.61
World Bank 5¾ 93	100	98½	98¾	0	−1¼	5.81

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

OTHER STRAIGHTS — Issued, Bid, Offer, Change on day, week, Yield

[illegible]

FLOATING RATE NOTES — Spread, Bid, Offer, C.dte, C.cpn, C.yld

[illegible]

CONVERTIBLE BONDS — Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem

[illegible]

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	6,033.7	19,626.7
Previous week	6,966.5	12,196.1
Other bonds		
Last week	3,487.6	809.6
Previous week	3,931.1	1,235.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv.price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 27

Another record loss at Montedison

BY JAMES BUXTON IN ROME

MONTEDISON SPA, the holding company for the Italian chemicals group, has suffered a deficit for 1982 of a record L758bn ($509m), compared with L598bn for 1981.

Consolidated turnover rose by only 6.9 per cent to L9,019bn, of which about 40 per cent was exported. The overall loss was L860bn, compared with L694bn in 1981.

The holding company loss inclndes a special provision of L117bn to cover the cost of future re-structuring and closing down operations, including the recently announced move out of the nylon fibres sector. The company argues that taking into account both this and the fact that the 1982 result includes only L31bn worth of extraordinary income, against L270bn in 1981, the losses for the two years are of roughly the same order.

The poor state of the European chemicals market last year, which was particularly bad in Italy where the recession arrived later, is one of the main causes of the beavy losses.

Another was the continuing high cost of servicing the company's debt, which amounted to 45 per cent of turnover at L4,102bn in 1982 and meant a debt servicing charge of L827bn. This, bowever, was lower than the 1981 figure of L967bn.

Montedison has had to cover its 1982 losses by recourse to reserves. But despite this the company's net financial assets at the end of 1982 rose slightly to L1,460bn, compared with L1,396bn at the end of 1981.

During 1983 the company will be less affected by the losses nf the petro-chemicals sector, thanks to the transfer earlier this year of many of its plants to the Italian state energy company ENI.

It wil also benefit from the recent agreement with the U.S. company Monsanto, which will belp it rationalise its fibres operations, and with Hercules, the U.S. chemical concern, for joint marketing of polypropylene, in which Montedison is technically advanced.

There are plans to develop further the pharmaceutical sector, led by Farmitalia Carlo Erba, one of Montedison's few profitable subsidiaries.

Bastogi sharply reduces deficit

BY RUPERT CORNWELL IN ROME

BASTOGI, the troubled Italian financial company which last year came close to collapse, reported yesterday a sharp fall in 1982 losses to L17.4bn ($11.6m) compared to the record deficit of L159bn achieved in 1981.

This apparently successful attempt to stem its losses follows agreement by Bastogi's creditor banks on a rescue package which significantly reduces its massive annual debt servicing charges.

A substantial portion of Bastogi's property assets were transferred to a new bolding company called IGIM, whose capital of L183m was mainly subscribed by the former's 49 creditor banks. Of Bastngi's outstanding short-term debt of L100bn, half was repaid with the proceeds of the IGIM deal, while the remainder bas been consolidated for five years.

At the same time, Bastogi is in the process of completing a capital increase of its own, from L92bn to L138bn, which will provide it with new working resources. Part is being put np by the banks, but but around half is being provided by Bastogi's establisbed shareholders.

Sig Carlo Pesenti, whose Italmobiliare group controls some 20 per cent of Bastogi, is apparently subscribing his sbare. Fears had previously been voiced that financial difficulties might bave prevented him from doing so.

● INDUSTRIE BUITONI Perugina (IBP), the parent company of a major Italian food processing and distribntion group, bas reported that net profit down to L1.01bn for 1982 from L2.21bn in 1981, AP-DJ reports from Milan.

The decline was largely due to disappointing results in some food operations, where the company uses the Builoni trsdemark.

Group turnover rose by 18 per cent to L800bn, with domestic sales rising to L387bn from L331bn and foreign sales up 14 per cent to L422bn.

● ERIDANIA Zuccberifici Nazionali, a major Italian sugar refiner, has reported net profits for 1982 np to L11bn from L10.02bn.

Turnover rose to L659bn from L623bn, and the company gained a net L61.5bn of reserves through the revaluation of its fixed assets to take account of inflation.

The company, whicb is engaged in restructuring and renovating its operations at an estimated cost of L119bn between 1984 and 1986, will propose a one-for-10 rights issue at its AGM, scheduled for June 29.

State aid for Chapelle d'Arblay

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is to inject FFr 1.2bn ($159m) into Chappelle d'Arblay, the large French paper manufacturer, to belp preserve the French newsprint industry.

But it is also demanding that the company, which accounts for 90 per cent of French newsprint production, close one of its two plants at Rouen and to make redundant three quarters of its 2,100 workforce.

The decision, announced to the trades unions over the weekend, comes 27 months after the company filed for bankruptcy. Since then a number of rescue plans bave been put forward including a joint operation with Scandinavian paper prodncers and a link-up with Beghin—Say, the French psper and sugar manufaeturer.

The decision reflects the Government's longstanding commitment to retain a French newsprint industry drawing on French wood and scrap paper as feedstock. But it shows also its willingness to hrsve the hostility of the unions

Under the plan, the government is to invest FFr 1.2bn to provide a new newsprint plant at Saint-Etienne-du Rouvray near Rouen with a capacity of 160,000 tonnes a year. In 1981 Chapelle dArblay produced 235,000 tonnes of newsprint. The new plant will be operative from 1988 and capacity will eventually be incerased to 260,000 tonnes a year.

Management for the operation is to pass to the leading Dutch paper concern, Pareneo, which is expected to take a 34 per cent stake in a new controlling company yet to be formed.

It is not yet elear what the shareboldings of the Paribas bank and the state investment institntion, IDI, which currently bold a 50 per cent stake each in Chapelle d'Arblay, will be in the new company.

Tasfhereau resigns from Dome Mines

By Nicholas Hirst in Toronto

MR MALCOLM TASFHEREAU, one of the leading figures in the Canadian gold mining industry, has resigned as president and chief executive of the Toronto based Dome Mines following boardroom disagreements.

"It became apparent I did not bave the full support on the board to continue as chief executive officer, of this company," Mr Tasfhereau said at a press conference yesterday.

Mr Tasfhereau, wbo is 55, said there was no single issue which bad resulted in his resignation, but he said that the debt problems of the company's associate Dome Petroleum, over the past couple of years bad been a contributory factor. Dome Mines has a 26.7 per cent stake in Dome Petroleum, and Dome Petroleum in turn bolds 39.6 per cent in Dome Mines.

Dome Mines lost C$74.6m (U.S.$60.6m) in 1982 compared with a profit of C$91.4m a yesr earlier. The share of Dome Petroleum's losses attributable to Dome Mines, was C$110.4m, compared with a profit of C$48.3m.

Mr Tasfhereau was one of Canada's highest paid executives, earning C$222,500 in 1982. He has been president of Dome Mines since 1978 and has been with the group for 30 years. In its statement on Friday the company acknowledged his "significant contribution" to Dome Mines, and the gold mining industry.

UK COMPANY NEWS

RHM to sell 25% of Cerebos

Ranks Hovis McDougall (RHM), the baking and food processing group, is to pffer for sala a 25 per cent stake in Cerebos Pacific, its recently-established Far Eastern bolding company, on tha Siogapore Stock Exchange. The sale is expected to raise the equivaleot of £10.1m befpre expenses.

This flotation will allow Cerebos to call on local financing and to expand more rapidly in the Far East and Australasia without putting a further strain on RHM's resources. RHM has beeo forced to invest heavily to return its UK bread-making operations to profit.

It would also identify the company more closely with the regions in which it operated, RHM said.

Cerebos expects to make an after-tax profit of £3.74m in the year ending July 3t 1983. The trend of profits in recent years had been upwards, it said. Net tangible assets at January 31 1983 were £17.1m.

The offer for sale—at S$t.35 a sbare— will produce a surplus over book value of about £7.6m. This will be treated as an extraordinary item after tax in RHM's 1982-83 accounts.

The sale has been underwritten by Morgan Grenfell (Asia) and Kim Eng Securities, a Singapore securitiee firm.

The listing of Cerebos's shares on the Singapore Stock Exchange will begin on July. 8 The offet price puts a total market value of £40.4m on the company.

Cerebos has local manufacturing subsidiaries in Singapore, Malaysia, Taiwan, Thailand, Australia and New Zealand, processing and marketing a wide range of convenience foods including Brand's Essence of Chicken.

RHM said there bad been no pressure from the Singapore authorities for the flotation.

FT Share Information

The following securities have been added to the Share Information Service:

Baynes (Charles) (Section: Industrials).
Chuang's (Holdinge) (Electricals).
Great Eastern Mines (Mines—Australian).
OTL Limited (Trusts, Finance, Land).
TDK Corporation (Electricals).

Cifer USM tender offer

BY DOMINIC LAWSON

Cifer, a Wiltshire-based manufacturer of microcomputers and microprocessor-based computer video terminals, is coming to the USM by way of ao offer for sale by tender of 2,087,000 new and 650,000 existing shares at a minimum price of 115p per share.

The offer represents 17.56 per ceot of the company's equity, which at the minimum tender price is capitalised at £17.92m.

The net proceeds of the issue, amountiog to £2.2m, will be used to expand the maoufacturing capacity of the existing product range and to develop new products.

Cifer forecasts that for the current year to September 30 1983 it will make not less than a £1.35m pre-tax profit. At the mioimum lender price the prospective fully taxed p/e is 27.7.

Cifer, which was founded in 1972, has seen its turnover grow steadily, but in 1979 the company made a loss of £t37,000. Mr Terence Cosgrove, Cifer chairmen said "at that time there was disagreement wilbin the company as to whether we should import or remain manufacturers." Since then profits have grown rapidly. Last year Cifer mada £851,000 and in the six months to the end of March made £576,000 pre-tax.

No dividend will be paid for the current year, but on anticipated payout for 1984, the shares would yield 1.2 per cent.

Some 16.5 per cent of the equity is beld by Technical Development Capital.

Cifer was fouoded to develop electronice equipment for the computer indstry. By 1974 it had exteoded its range to include computer video display ternals. Since then, the company has developed a range of microprocessor-based termioals. The company's customers generally use Cifer's products for incorporation into larger systems sold by Original Equipmaot Manufacturers. About 14 per cent of turnover is attributable to supplies to British Telecom.

The offer opens on June 3 and dealings in the company's shares are to begin on June 8. Brokers to the issue are Stock Beech. Mr Harford, partner of Stock Beecb handling the issue, is also a director of Applied Computer Techniques, rival of Cifer, but Cifer's chairman denied that Cifer was greetly concerned at any possible conflict of interest.

Referring to the fact that dealings in Cifer are to start on the day before the General Election, Mr Harford said: "I am sligbtly nervous, bot am facing up to it very bravely." He said that originally the offer was due to impact later in June, but that work was speeded up to ensure a pre-election offer.

● comment

Yet another tender! The private investor must by now be weary of providiog unpaid help to the City in the pricing of new shares. Cifer's track record is not perhaps the blotless escutcheon that obviously merits a minimum tender price pf almost 28 times prospective earnings, but since 1979's setback, the profits growth has been dramatic. It seems that Cifer is oow lookiog to grow by between 50 and 100 per cent per annum, at least in turnover. In its main business the company has less than 10 per cent of tha UK market, which is highly vulnerable to imports. So if sterling were to appreciate rapidly following a Tory election victory, Cifer's margins could come under sustained pressure. But the market itself is a rapidly growing one, and it is to meet that demand that Cifer is now calling for funds. Enthusiasts should chip in at about 130p, though the odd choice of first day dealings—June 8—means a very artificial market for the first few days.

Central Television above expectations

Central Independent Television has reported a loss after tax of £685,000 in 1982, a significant improvement on prospectus expectations.

The company made a pre-tax profit of £3.5m from its ordinary activities. But after formation expenses and the closure of tha former ATV studios at Elstree, the pre-tax surplus was reduced to £562,000.

So far this year, Central is on target for the prospectus forecast of £3.1m pre-tax profit.

Sir Gordon Hobday, the chairman, said the "considerable achievements" of a first difficulr year had put the company on a sound basis for the future.

The current accounts covered the first full trading year since Central became responsible for operating the dual East and West Midlands oo January 1 1982.

Sir Gordoo said that Central was ectively considering seeking a quote on the Unlisted Securities Market at the earliest opportunity. The application would come this year and could be as early es the summer.

The way was cleared earlier this month wben the Associated Communications Corporation disposed of its 51 per cent stake in Central. Sears Investments, Ladbroke Group and D. C. Thomson now have 20 per cent each and BPCC/Pergamoo holds 12.5 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: MEPC.

Finals: Audiotronic, Dominion International, Globe Investment Trust, Inchcape, Nissho International, Readicut International, Transparent Paper.

FUTURE DATES

Interims:
Associated Fisheries .... June 7
Premier Consolidated Oilfields June 14
Raeburn Investment Trust ...... June 24

Finals:
Alpine Soft Drinks .... June 15
Brownlee .... June 6
Castings .... †June 2
Century Oils .... June 2
Churchbury Estates .... June 14
Elswick-Hopper .... June 8
Estates and Agency .... June 6
Garford-Lilley Industries .... June 3
Great Portland Estates .... June 8
Law Land .... June 14
Panto (R.) .... June 10
Property Holding and Inv. Tst. June 13
TR North American Inv. Trust June 8

†Amended.

Billam cuts final to 1.4p

In the most difficult trading year experienced by cutler and eheet metal engineer J. Billam, the company reports drastically reduced profits and is halving the dividend.

After £63,000 for the first half, profits have run down to £5,734 for the full 1982 year, compared with £470,882. The final dividend is cut to 1.4p bringing the net total down from 5.7p to 2.8p. Mr Gordon Billam, the chairman, has waived his right to the final.

There is a tax charge of £43,646 (£235,774), leaving a net loss per share of 2.5p (earnings 15.7p).

Mr Billam says the reduced earnings reflect the difficulties which ara facing the cutlery and aerospace industires, and "there is little sign of any immediate recovery." In the long term there are indications of some improvement during 1984.

However, in the current year every effort is being made to minimise the effect of the adverse conditions.

Moss Bros climbs to £0.38m

Pre-tax profits of Moss Bros increased from £157,000 to £379,000 in the year to January 31 1983. To this must be added the post-acquisition trading profit of Fairdale of £123,000 making a consolidated total of £502,000.

After tax the earnings per 20p share fpr the year are 11.78p compared with 3.17p last year. These figures do oot include the extraordinary item wbich amounted to a further profit after tax of £430,000.

Turnover went up by 34 per cent to £11m

In view of the improved profit, the dividend is lifted from 2.2p to 3.55p, with a final of 2.5p.

Mr M. G. Moss, chairman, says during the year the Dorking freehold was sold and the cash realised used to help fund the acquisition of Fairdale.

Setback at Hicking Pentecost

Nottingham-based textile manufacturer and commission dyer, Hicking Pentecost dived into the red in the second six mooths ended March 31 1983 to end the year with a pre-tax loss of £346,000, as against a £191,000 profit previously. At half time the company reported a sharp cut in profits from £130,000 to £6,000.

There is oo final dividend and the interim payment of 2p net therefore compares with the previous year's total of 4p per share. Stated deficit per 50p share came out at 14.3p, against 6.27p earnings before.

Although the company's dyeing division reduced losses from £285,000 to £136,000, the knitting sida suffered a turnround from a £478,000 profit to a loss of £219,000.

The trading deficit was £90,000 (£430,000 profit) before interest up from £239,000 to £256,000. Tax took £18,000 (£31,000)

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net div.	Times covered	Gross yield	P.E. ratio
¶88	F.P.	—	97	88	✱Adam Leisure 10p	97	+2	bd2.0	2.1	3.0	18.6
§58	F.P.	20/5	103	80	✱Bensons Crisps 10p	81	......	g1.9	3.1	4.4	10.7
¶312	F.P.	17/6	315	300	Bosso Massimi Pollitt	308	......	b4.5	2.1	2.1	18.1
§110	F.P.	3/6	160	110	✱Bryant (Derek) 10p	120	......	[illegible]	[illegible]	[illegible]	11.7
§80	F.P.	21/6	72	75	✱Castle (G.B.)	75	......	b2.8	1.2	4.7	[illegible]
115	F.P.	29/6	126	100	✱Chem.Meth.Ass Inc.	118	......	bQ3.0	2.4	6.3	11.7
¶225	F.P.	6/5	253	220	Datastream 5p	222	−3	b4.85	2.6	1.8	[illegible]
‖	F.P.	—	80	65	Don Bros., Buist	75	......	b4.5	2.6	6.5	8.2
**	F.P.	13/7	21	12	E'burgh Inv.Warrants	21	......	—	—	—	—
§14½	F.P.	31/5	15	14	Edmond Hldgs. 10p	15	+1	b1.0	1.1	[illegible]	[illegible]
§597	F.P.	—	625	595	Int'l Income Property	600	......	Q60c	—	5.8	—
‖	F.P.	—	60	34	✱Intervision Video 1p	48	−1	1.0	2.1	3.2	17.0
§80	F.P.	20/5	135	110	✱Lorlin Elect. 20p	128	+2	b1.0	5.0	1.2	[illegible]
§32	F.P.	10/6	48½	33½	MCD	43	+1½	u1.0	2.3	3.2	16.6
§70	F.P.	15/6	82	76	✱Mallerware 10p	80	+2	u2.38	2.3	[illegible]	[illegible]
§240	F.P.	24/6	380	260	✱Micro Focus 10p	330	+28	—	—	[illegible]	[illegible]
§94	F.P.	20/6	165	140	✱Microlease 10p	150	......	u2.0	2.8	[illegible]	[illegible]
§80	F.P.	27/5	145	115	✱Miss World Grp. 10p	118	+2	b4.0	2.8	[illegible]	[illegible]
¶¶65	F.P.	16/6	83	55	✱Mnemos 10p	58	−2	—	—	—	—
100	F.P.	—	97	95	Murray Electronics	95	......	—	—	—	—
¶350	F.P.	27/5	375	348	Octopus Publish. 20p	375	......	25.0	2.3	3.1	17.7
§£46	F.P.	—	£57	£56½	Perstorp AB Free 'B'	£56½	......	2.8%	5.8	0.9	24.9
‖	F.P.	—	44	37	✱Rivlin I. D. & S. 5p	45	−1	Q F0.1	—	0.3	—
§154	F.P.	27/5	150	130	✱Securiguard 5p	130	......	b1.75	2.6	1.9	28.1
§105	F.P.	10/6	150	120	✱Spring Ram 10p	142	+2	u5.0	2.5	3.0	15.6
120	F.P.	—	105	105	✱StainlessMetalcraft	100	−5	b4.0	1.6	5.7	15.3
§47	F.P.	3/6	80	65	✱Strikes Rests. 10p	64	......	b1.85	3.5	4.0	15.4
**	F.P.	29/7	28	25	Throgmort'n Tst. Wnt	28	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
¶¶100p	F.P.	18/5	120p	100p	✱Booth 10% Con. Uns. Ln. 1990	103p	......
—	£20	28/10	21⅛	12¼	Bristol 11½% Red. 2016	21⅛	+⅛
—	£25	26/6	25	23¾	Brixton Est. 11¼% Deb	24¾	......
¶101	£15pd	28/7	10¾	2¾	East Anglia Water 7% Red. Pref. 1988	10⅛	+⅛
‡100p	F.P.	12/6	117p	110p	East'n Prod. 10¼% Con. Ln. 1997-2002	110p	......
¶101	£10	28/7	12	10⅛	Folkestone Water 7% Pref. 1988	10⅛	......
‡	Nil	—	10pm	5pm	Hunting Assoc 9½% Con. Uns. Ln. '03-08	6pm	−1
§101¼	£22	—	25⅛	25	Iceland 14⅛% 2012	25⅛	+⅛
—	—	—	100¼	99⅞	Nationwide B. S. 10⅛% Bds. 30/4/84	99⅞	......
—	—	—	100⅛	100⅛	Do 10⅞% Bds 29/5/84	100⅛	......
§100	£22	7/7	25	21½	N'castle&G'headWater11¼%RdDb2004	23	+½
¶¶	F.P.	24/6	102	99¼	NewThrogm't'n Tst. (83) 12.6% 2008	101¼	−¼
23.88	£30	16/9	31¾	22½	New Zealand 11¼% 2008	31¾	+⅝
¶101	£10pd	28/7	10½	2¾	North Surrey Wtr. 7% Red. Pref. 1988	10½	......
¶¶	—	—	25	25	Rightwise 12% Ln '88-95	95	......
99.783	F.P.	17/6	101½	99	Securities Tst of Scot. 12% 2003	100	−½
¶¶	F.P.	22/7	103⅛	100½	Throgmorton Tst. 12⅛% Deb. 2010	103⅛	......
‖	F.P.	12/5	112p	281½p	Tomatin Dist. 7% Cnv. Pref.	105p	+1
§98.579	£25	31/8	24¼	22½	Trafford Park Est. 11¾% 2007/11	26⅛	−½
§99.898	£22	20/9	28½	25	Watn'yM'nn&Trum'n12⅛% Red.Deb.2008	25⅛	+⅛
100p	F.P.	16/6	113p	104p	Wellman Eng. 10% Irr. Pref.	113p	......

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price p	+ or −
35	F.P.	20/5	17/6	42	37	Anvil Pet. 20p	45	−2
CLR6.1	Nil	—	—	7½pm	1pm	‡Atlantic Res.	1pm	−1
A$1.52	Nil	—	—	81pm	75pm	Bridge Oil	75pm	......
A$3.90	Nil	—	—	90pm	75pm	CRA	88pm	−2
42	F.P.	—	6/6	58	33	Combined Tech. 10p	53	−1
78	Nil	—	—	12pm	9pm	Courtaulds	12pm	......
85	F.P.	—	6/6	125	121	Dubilier 5p	124	−1
122	F.P.	—	17/8	150	144	EIS	148	......
165	F.P.	—	10/6	218	121	Electro Protective $0.05	218	+5
145	F.P.	23/5	1/6	158	153	GKN £1	158	−1
146	F.P.	—	22/6	160	151	Hawley Grp.	160	+6
172	Nil	—	—	11pm	7pm	London Utd 20p	11pm	......
103	Nil	—	—	8pm	7pm	McKechnie Bros.	7pm	......
100	F.P.	—	17/6	164	134	Mellins 5p	156	−2
290	F.P.	6/5	10/6	368	345	Mills & Allen	360	......
48	Nil	—	15/7	2½pm	2pm	Myson Group 10p	2½pm	......
1.25	Nil	13/5	24/6	22¼pm	14pm	Norton (W.E.) 1p	22pm	−½
190	Nil	—	—	28pm	22pm	Powell Duffryn 50p	26pm	......
150	Nil	—	17/6	12½pm	10pm	Rightwise 10p	10pm	......
—	F.P.	6/5	3/6	54	15½	Sheffield Brick	53	......
—	F.P.	—	21/6	202	184	Spirax-Sarco	196	+2
—	F.P.	—	10/6	457	430	Standard Chartered Bank £1	450	......
—	F.P.	—	10/6	280	245	Warehouse Gp.	280	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ¶ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‡ Effective issue price after scrip. † Formerly dealt in under special rule.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

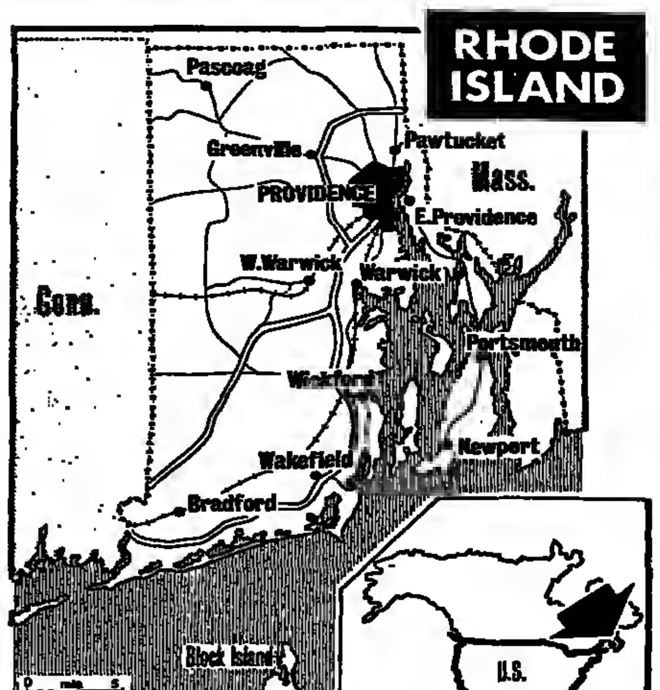
	Date	Announcement last year		Date	Announcement last year
*AE	June 2	Interim 2.8	Imperial Gp.	July 6	Interim 2.75
*Allied Lyons	June 1	Final 3.5	Intasun	July 8	Final 2.1
*Anglo Am. Cpn. of SA	June 1	Final 75c	*Johnson Firth Brown	June 3	Interim nil
*Avana	June 21	Final 3.8	Johnson Matthey	June 18	Final 7.0
BPB	June 30	Final 6.0	Kenning Motor	June 14	Interim 1.75
Baker Perkins	June 24	Final 3.0	LRC Intl.	July 5	Final 2.05
*Beecham	June 2	Final 4.3	Lond. and O'seas Freighters	June 18	Final nil
Brit. and Com. Shipping	June 17	Final 7.5	*Metal Box	June 13	Final 6.51
Burnett and Hallamshire	June 22	Final 7.5	Mountview Ests.	June 3	Final 2.5
Carless Capel	June 8	Final 2.5	Muirhead	June 15	Interim 2.0
Chloride	June 12	Final nil	Norcros	June 28	Final 3.92
*Coalite	June 1	Final 3.1	*Northern Foods	June 22	Interim 2.0
Common Bros	May 19	Interim 1.429	Pauls and Whites	June 17	Final 5.25
*De La Rue	June 1	Final 15.48	*Pegler-Hattersley	June 8	Final due
*Dobson Park	June 3	Interim 1.9	*Pilkington Bros	June 10	Sec. int. 5.5
Eastern Produce	June 4	Final 3.22	Powell Duffryn	June 23	Final 9.55
Electrocomponents	June 28	Final 1.35	Racal Elec.	June 23	Final 3.4
Electronic Rentals	June 3	Final 3.143	Redland	June 24	Final 4.67
*Elliott (B.)	June 8	Final nil	*Reed Intl.	June 7	Final 10.0
*Eng. China Clays	June 18	Interim 3.0	SGB	July 5	Interim 2.3
Ferguson Industrial	June 14	Final 3.5	*Samuel (N.)	June 1	Final 4.75
Ferrand	June 23	Final 5.5	Scot. and Newc. Brews	July 1	Final 2.875
GEC	July 1	Final 8.6	*600 Group	June 2	Final 2.81
GEI Intl.	June 22	Final 3.555	*Sketchley	June 7	Final 7.3
Granada	July 6	Interim 1.92	Sotheby Parke Bernet	July 8	Interim due
*Gt. Portland Estates	June 8	Final 4.0	Stead and Simpson	July 1	Final 2.85
Guinness (A.)	June 15	Interim 1.576	*Tesco Stores	June 16	Final 1.9
*Hambros	June 21	Final 37.5	Trusthouse Forte	June 24	Interim 1.5
*Hanson Tst.	June 14	Interim 2.5	UBM	June 3	Final 1
*Harrisons and Crosfield	June 2	Final 20.5	*Westland	June 8	Interim 2.75
*Hickson International	June 2	Interim 2.5			
*ICI	July 28	Interim 9.0			
IC Gas	July 8	Final 6.2			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES SURVEY
Tuesday May 31, 1983

Rhode Island

A good selling slogan for Rhode Island is 'small is beautiful.' That characteristic has persuaded many big international companies to set up in business there. **Robert Mauthner** reports on the state's diversity



CONTENTS

Editorial production: Arthur Dawson
Design: Philip Hunt

Quality of life acts as a lure

RHODE ISLAND, tucked away almost invisibly on the map of the U.S. between Massachusetts and Connecticut along the New England coast, suffers from one pervading complex—it is the smallest state in America.

That fact, in a country as big as the United States, which is sometimes in the habit of confusing size with quality, is a constant source of anguish to the state authorities and accounts for some of the schizophrenia apparent in the plans for its economic future.

The official propaganda put out by the state proclaims that Rhode Island is "the biggest little state in the union." It tells us that, within 75 miles of Providence, the state capital, are located 65 per cent of New England's population—some 8m people.

Market of 77m

Within 300 miles, a mere hop along the excellent interstate routes, there is a market of 45m people with a combined income of $350bn, within 500 miles a market of 77m people with an income of over $525bn—and so on.

The statistics leave one reeling and wondering why Rhode Island does not have a separate seat at the western economic summit in Williamsburg.

A much better selling slogan would be "small is beautiful," not only because it is true in the case of Rhode Island, but because that characteristic has persuaded even some very big companies to set up shop in the state.

One or two of the big companies, it is true, have their headquarters in Providence for purely historical reasons. Textron, the parent company of Bell helicopter and reputedly the first ever conglomerate, is a case in point.

Its founder, Royal Little, in 1928 bought a money-losing synthetic yarns company in Rhode Island, which was then one of the country's most important textile manufacturing regions, and Providence became the centre of his operations. Today, only two of Textron's many offshoots, Gorham the cutlery and china company, and Speidel, which makes watchbands and chains, are located in Providence.

Others, like General Dynamics' Electric Boat division, which produces hull sections for nuclear missile submarines, have been attracted to Rhode Island because they were able to find first-class industrial sites and communications.

That is only part of the story, however. One of the recurring themes in conversations with both American and foreign businessmen in Rhode Island is that they particularly appreciate its "quality of life." They like living in Rhode Island and that factor has played as big a role in companies' decisions to locate their operations in the state as any of the facilities and financial incentives which they hava been offered.

Governor J. Joseph Garrahy: main problem is deciding best path for economic recovery

There are several elemants which make up that special quality. The small scale of the place is certainly one of them. You can drive from one end of Rhode Island to the other in one hour and cross the state in less than that.

The beauty of the countryside is another. Rhode Island is both a garden and a maritime stata. Its soft and green woodlands are one side of the picture. Some 400 miles of winding shoreline, alternately rocky and sandy are another.

Narragansett Bay, with its marinas full of pleasure yachts and seashore restaurants, can justifiably claim to be one of the most beautiful estuaries on the American Atlantic coast. Newport, which is situated at the mouth of the bay and is the home of the famous Americas Cup yachting race, has been a select resort since the beginning of the 19th century.

Finally, the state and its capital are redolent of history, which give them a special appeal. In 1986, Rhode Island will be celebrating the 350th anniversary of its foundation by Roger Williams as the first free havan of religious worship in the new world.

Roger Williams, the puritan of Puritans, broke away from the main colony in Massachusetts because it refused formally to sever its ties with the Church of England. A Congregational minister wrote of Rhode Island at the time that it was "a hive of hornets and the sink into which all the rest of the colonies empty their heretics."

That was the establishmeot's view. The Rhode Islanders believa that their founder was an uncompromisingly independant man whose ideas about religious liberty were far ahead of his time.

Rhode Island was the only colony which had a constitutional form of government from the very start, without any British-appointed administrators. It became the first free republic in North America in May 1776 by declaring its independenca two months before the other 12 colonies. A statua of "independent man" still tops the dome of the state capitol today.

Rhode Island's long history, by American standards, is reflected in some of the best colonial architecture to be found in New England and, indeed, in the whole of the U.S. Unlike Williamsburg in Virginia, which has been turned into a kind of living museum complete with fancy dress and horse-drawn carriages, the East Side of Providence, with its late 18th and early 19th century clapboard and red brick houses, is a normal residential area.

Dominated by the student population of Brown University, one of the Ivy League universities, it is very much part of the capital's life and 20th century preoccupations.

A later style of architecture bears witness to Rhode Island's pioneering role in America's industrial revolution. A surprising number of Victorian and early 20th century textile mills and warehouses, some of them converted into apartments, shops and restaurants, others still disused, can be found in the northern part of the state, particularly in the Providence area.

Textiles decline

Competition from the developing world, particularly the Asian countries, has drastically reduced the importance of Rhode Island's textile industry. In the last 15 years, the number of workers employed in the industry has dropped from some 55,000 to no more than 14,000 out of a total civilian labour force in the state of some 460,000.

Many of the companies that remain have successfully switched from traditional activities such as the manufacture of cloth and ready-made clothing to more sophisticated textile products like seat-belts for cars and aircraft.

The other traditional industry in the state, the manufacture of jewelry, has also suffered a sharp decline in the number of workers it employs, but Rhode Island nevertheless remains one of the main costume jewelry cantres in the world.

The origins of the industry go back to 1794, when Nehemiah Dodge invented a gold-plating process which made jewelry accessible to a much larger section of the population than before. The manufacture of jewelry eventually overtook textiles as the state's most important industry and today it still comprises about 1,000 companies employing 25,000 people.

Some of these, it is true, are no more than tiny workshops, whose Dickensian working conditions were severely criticised by the excellent Rhode Island newspaper, the Providence Journal, in a series of articles two years ago.

That is only part of the picture, however. At the other end of the scale, using modern manufacturing and marketing techniques, are such companies as Johnson Matthey, the deversified British banking and precious metals group, which recently spent some $20m in acquiring the East Providence jewelry company Catamore.

Johnson Matthey, which has struck fear into the hearts of the local industry with its integrated operations and sophisticated marketing methods such as jewelry leasing, could have a salutary effect on the Rhode Island jewelry industry, much of which appears to be too antiquated to survive in its present form.

Foreign companies

Johnson Matthey is one of about 40 foreign companies, about one-third of which are British, which have found a home in Rhode Island via subsidiaries. They include such well-known names as Hoechst, the West German chemical company, Metal Box, John Brown, BTR and Cadbury Schweppes of Britain and Ciba Geigy, the Swiss pharmaceuticals group, which is involved in a dispute over its disposal of chemical waste into the waters of Narragansett Bay.

The diversity of these companies and their activities reflect the growing industrial diversification of the state's economy. The traditional industries are still there but they have been complemented by a number of high technology activities.

Some of the most sophisticated work is going on at Raytheon Company's submarine signal division in Portsmouth and at the Naval Underwater Systems Centre at Newport. Indeed, defence contracts, valued at several hundreds of millions of dollars last year, were instrumental in cushioning Rhode Island's economy against some of the worst effects of the recession.

The main problem exercising the state's administrators as the country's economic recovery is beginning to get under way, is whether the biggest effort should go into modernising and developing traditional industry or advanced technology.

Much ink and words will be spilt before that issue, discussed in a subsequent article in this survey, is resolved. What is clear is that to go all out for "high tech" while allowing traditional industry to go to the wall would be a very risky business given the strong competition. Rhode Island may ba the smallest state in the U.S., but its problems are as big as aoyone else's.

RHODE ISLAND II

Strategic Development Commission seeks consensus

Economic aims in the melting pot

ECONOMIC PLANNING may be a dirty term in the White House in Washington but it is all the rage in Democrat-dominated Rhode Island. For *Rhode Island, the smallest state* in the country, is more worried than most that *tough* international, not to mention *domestic*, competition will leave it standing as the new technological revolution gathers pace.

It is not that Rhode Island is deprived of advanced industries, it is that they are not deeply enough implanted or spread widely enough to compensate for the relative decline of a number of traditional industries such *as textiles* and machine tools.

As Mr J. Terrence Murray, the chairman of the Fleet Financial Group and chairman of the newly-created Rhode Island Strategic Development Commission summed it up: "In a state of only 1m population, the *lack of breadth* and *depth* of the economy is the overriding problem."

Recognition of that problem and an untypical realisation (for the U.S.) that the marketplace alone is unlikely to provide a solution is why Rhode Island is currently so planning conscious. The term, in an American context, must be understood somewhat differently from the way it is sometimes used in Europe.

Exhaustive study

The idea is not for the state *authorities to impose an* industrial policy but, on the basis of an exhaustive study, to create the right conditions for tha future economic development of the region.

With this end in mind, two significant steps have been taken by the state since the autumn of last year. Governor Garrahy set up the Strategic Development *Commission with* a membership of 15 of the state's most prominent business and educational figures and Mr Norton L. Berman was appointed as the dynamic new Director of what had become a rather sleepy Department of Economic Development (DED).

When the Commission was formed, there was some confusion about its *aims*. The Governor, who had been *strongly* influenced by *a* report drawn up by the New England Board of Higher Education on the links between higher education and advanced technology, clearly felt that the Commission should be devoting most of its energies to promoting high technology research and industries in Rhode Island.

That, however, did not fit in with the views of the Commission Chairman, Mr Murray, and *even less with those of* the brilliant 35-year-old international *business consultant*, Mr Ira Magaziner, who is volunteering his services to conduct the Commission's comprehensive study. The final conclusions of the study are due to be published in July this year.

Magaziner, a graduate of Brown University, a former Oxford Rhodes scholar and co-author of "Minding America's Business," a book dealing with *international competition* and industrial policy, probably harbours long-term national politico-economic ambitions. For the moment, however, he is content to promote his ideas at the state level in the firm belief that they could make an original contribution to eco*nomic development* strategy.

Magaziner is bringing to the *study*, reputedly one of the most comprehensive ever done of an American state's economy, all the special skills of his Providence-based business consultancy firm, Telesis Inc., which also has foreign offices in *Paris and Melbourne*.

The following are examples of the in-depth data that is being gathered:

- *Information on cost structures*, competitive positions, growth prospects, labour force characteristics, investment patterns and company structure will be compiled for almost every company in the state which trades with tha outside world.
- An analysis will be made of every company with over 50 employees *which has* gona out of business or moved from the *state* or *which* has *shed* more than 100 jobs during the past 10 years.
- Direct interviews will be conducted with all small businesses in the state to find out more about their characteristics, markets, growth and their capacity to create jobs.
- An analysis *will* be made of all the research facilities in *universities, hospitals and other* institutions in the state to establish tha possibility of industry linkages.

The recommendations to be made by tha commission on the basis of these findings will address themselves *to* such problems as how to stabilise and selectively expand *Rhode* Island's industrial base, what new growth areas should be developed, how to improve the *state's infrastructure* and how to provide better training facilities.

Norton L. Berman, dynamic *new Director of Department* of Economic Development

Although it will be another two months before the detailed recommendations are mada public, the general trend of the Commission's *thinking* is already clear.

Both Mr Murray and Mr Magaziner spurn the view that "high tech" is the answer to the state's basic economic problems, particularly given tha fact that everyone else appears to be in on the act. They have amphasised that there are now 18 states with *high technology advisory* councils and 19 programmes in various parts of the country to promote university-industry technological partnerships.

Competition

With so much competition around it is unlikely that a small atate lika Rhode Island could attract new industries during the next few years in sufficient numbers to replace all the jobs in its traditional sectors.

Tha *foreseeable future* of Rhode Island's economy therefore *lies mainly in making* existing industries such as jewellery, textiles, bost-building and fishing more efficient and therefore more competitive.

Certainly, they are not opposed to attracting some advanced technology companies as part of the overall plan, but they see "high tech" mainly as contributing to improving *existing industries*.

A similar line is being taken by Berman at the *DED*, who has started his term of office with an *information-gathering blitz*, aimed at finding out what the *business community really feels* about the economic develop*ment* of the state.

While Berman is also very much concerned with expanding and improving existing industries *in Rhode Island — he* would hardly have been hired *in the present climate if he was* not — the DED director is also very interested in attracting foreign business to the state.

In a previous post as Director of the Office of Economic Development of the Michigan Department of Commerce, Berman built up something of a reputation for his ability to develop the state's international relations. He will certainly try to do the same for Rhode Island, as the opening of a representative European office in Geneva clearly demonstrates.

With some 40 subsidiaries of foreign companies present today on Rhode Island soil a solid international economic climate has already been created in the state. *If such* famous names as John Brown, Hawker Siddeley, Metal Box and Cadbury Schweppes of the UK, Hoechst, Rosenthal and Kloeckner-Moeller of West Germany, Ciba Geigy of Switzerland and Sandvik of Sweden have found the Rhode Island soil fertile, others will undoubtedly follow in their footsteps.

What clearly emerges from the debate *about the future* economic development of Rhode Island is that the intellectual arguments about the whole subject have become unrealistically polarised, at least in the way they have been presented to the public.

A kind of baseball match mentality in which the "High Techs" square up to the "*traditional industrials*" in the key encounter of the decade, is hardly *conducive* to settling complicated local economic issues.

Tha betting is that when the Strategic Development Commission comes up with its final recommendations, the choice will be less clear-cut than that. The aim is to reach a consensus and that necessarily means a mix of the two strategies.

As someona described it in typical American fashion on a local radio station: "the *bottom* line is having to meet in the *middle*."

Strong banking sector for small state

RHODE ISLANDERS like to joke that their banks are much bigger *than their state* and it is not so very far from the truth. The bank buildings dominate downtown Providence, making it look like a mini-Manhattan, and their holding companies have spread their tentacles far *beyond* the *state's borders* and even abroad.

By far the most important financial institution in the state is the Fleet Financial Group, formerly the Industrial National Corporation, a $4.5bn asset financial services company. It has more than 200 offices in 23 states and five foreign countries, including a full branch in London, a deposit-taking company in Hong Kong and a branch in the Cayman Islands.

One of the country's oldest financial institutions—it was founded in 1791 and has paid *dividends without interruption* since 1792—Fleet's services are very diversified, both functionally and geographically. They range from commercial and *trust banking* to consumer finance, mortgage and real estate banking, *leasing and* factoring, venture capital and data processing.

The financial and commercial heart of Providence, capital of Rhode Island. To the left is the tower *of the Industrial Bank Building*. The Hospital Trust Tower dominates the centre of the view

The group's results have been particularly encouraging *recently*. *Net earnings* in 1982 increased to an all-time record of nearly $40m, or $6.36 per share, a year-on-year rise of as much as 15 per cent. Currently, well over 50 per cent of the group's earnings are generated outside *the state*.

First quarter results this year continue *the very satisfactory* trend with a record net income (after security transactions) of $10.9m, up 10 per cent over the same period of 1982.

Investment analysts agree that the Fleet Financial Group will maintain its good perform*ance this* year and will therefore remain an excellent stock *exchange investment*.

Earlier this year, Salomon Bros forecast *another* increase in profits of nearly 11 per cent in 1983, or about $7 per share, while Keefe, the bank securities specialists, heaped the following praise on the Providence-based group:

"We continue to regard Fleet as a very attractive stock for long-term investors. After all, its not often we find a bank that sells at *six times* earnings and offers investors the com*bination of* an 18.5 per cent *current* return on equity."

Equally important is the view of analysts that Fleet, at *the moment the 55th largest* banking institution in the U.S., is particularly well-placed to take advantage of tha forthcoming relaxation of interstate banking barriers in the New England region. A large amount of *capital has recently been* raised by the group with an eye *to expansion* and it has *already* acquired stakes in other New England banks.

Banking Bill

Following in the footsteps of Maine and Massachusetts, the Rhode Island General Assembly has just passed an inter-state banking Bill, which will permit bank acquisitions and mergers in states with similar laws.

The legislation, which is dne to come into effect on *July 1* 1984, will be restricted to the *New England region for two* years, after which it will apply to *all states*. Connecticut and New Hampshire are considering similar laws.

Diversification is also the order of the day at the Old Stone Corporation—assets $2bn—and the Hospital Trust Corporation, the state's second and third biggest financial institutions, *though with very different* results so far.

Old Stona, which made a big loss in 1981 of $14.7m, caused *mainly by the* sale of some $200m of fixed rate loans and securities, was back on the road to recovery in 1982 with net earnings of $14m, or $3.77 per share.

The sale of 11 per cent of the bank's low yielding assets was explained by the management of the bank as a deliberate move to improve the balance *between* interest rate sensitive assets and liabilities.

The other side of the coin is that Old Stone is presently *realising* extraordinary tax credits from the sale. In the first quarter *of* 1983, *its* net earnings were up by as much as 32 per cent over the same period last year to $3.6m.

Like Fleet, which saw its mortgage banking and real estate *earnings jump to a* spectacular 40 per cent last year in spite of a lacklustre *economy*, Old Stone's strong performance in the first quarter is largely the result of its activities in the same sector. However, it is hardly in the same league as Fleet, which hoisted itself into fifth place in the nation's table of largest mortgage bankers last year. This was thanks to the acquisition of the large *mortgage* servicing portfolio fo Graham Mortgage Corporation, a subsidiary of Manufacturers National Bank of Detroit.

By contrast, tha performance of Hospital Trust Corporation, which owes its name to its origins *as* a fund-raising institution for a hospital built after the Civil War, was distinctly disappointing.

Having pushed its market diversification and geographical *expansion* programme somewhat too quickly to cope with the accelerated deregulation of the financial services industry *in* the U.S., *Hospital* Trust *last* year suffered an unprecedented decline of 62 per cent in its earnings. It loan losses and operating costs were also much higher than expected.

As a result, some fundamantal changes in the management organisation have been made and financial control bas been tightened up significantly.

Whatever its recent and probably temporary misfortunates, *Hospital* Trust remains one of the most interesting of the state's banking institutions. The bank is internationally known for its precious *metals* ectivities and is the largest industrial gold supplier in the U.S., an *important* factor locally, given Rhode Island's prominence as a jewellery manufacture centre.

First-class industrial parks are among the lures for companies

Business climate brightens

IN ITS efforts to revitalise the Rhode Island economy, the state's Department of Economic Development (DED) has one big ace up its sleeve: it can offer industrial companies some first-class sites for their operations.

Among the various industrial parks available, by far the most impressive is the 800 acres at Quonset Point/Devisville, which was once an important naval airbase. When the U.S. fleet left Rhode Island in 1974 for warm water facilities where it could train all the year round, it left behind it e huge flat area with infrastructure facilities second to none.

Situated less than 30 minutes drive south from Providence just off interstate route 95, the Quonset/Davisville park can boast three major piers which provide more than 6,800 linear feet of dockage on Narragansett Bay and a 30-ft shipping channel leading to the Atlantic.

In addition it has its own airport with a main runway of 8,000 ft, which can handle the biggest cargo planes and a rail system which connects directly with the main ConRail line.

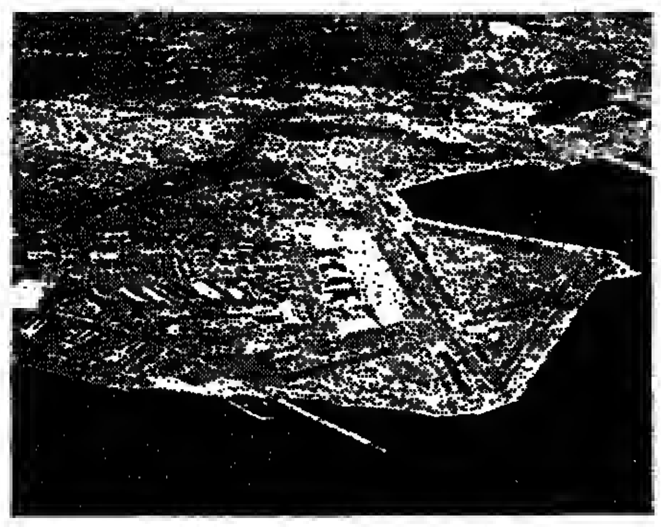
Although the park is still relatively empty for reasons which are not very clear, the state has managed to land one very big fish, General Dynamics' Electric Boat division, which manufactures hull sections for the Trident nuclear missile submarine and employs some 5,000 people.

The Electric Boat plant at Quonset Point prides itself on being the largest non-unionised facility in the north-east region of the U.S. which, in American eyes, is a plus point and should appeal to other prospective tenants of the park.

Another aree which state and city euthorities are very anxious to develop is the Port of Providence at the head of Narragansett Bay. This has a 40-ft channel, 600 to 1,300 ft wide, and a municipal wharf owned and operated by the City of Providence, with 4,750 ft of berthing space.

Still an important entry point for imported motor cars, the capital's port has obviously seen better days and suffers very much from the competition of the bigger and more efficient port of Boston in neighbouring Massachusetts.

"Our aim is to make the place look as if it is open for business rather than a junk heap, as at present," Mr William H. D. Goddard, Chairman of the Providence Port Commission wryly remarked.



The 800-acre Quonset Point/Davisville industrial park was once an important naval base

The plan is to turn it into an industrial port in which the city euthorities will operate joint ventures with private business. The process has already started with the acquisition by two businessmen, with the financial help of the city, of two container cranes capable of handling 40 standard 40-ft boxes an hour.

Handling target

The current handling target for the port is 10,000 containers e year, which would bring in a substantial sum for the city in docking and storage fees, though it will probably require the transfer of eutomobiles et present stored at the port of Providence to Quonset Point.

All this is small beer, however, compared with the state's plans to transform the Providence port area, as well as the 800 acres of land at Quonset Point/Davisville into so-called Foreign Trade Zones.

An application to this effect was formally submitted to the relevant Federal authorities in Washington in mid-May and will take up to nine months to process. The state and city authorities are very confident that it will be granted.

If it is, that would be a real breakthrough for the economic development of Rhode Island and provide e major opening to the U.S. and foreign companies trading with the outside world. At the moment, Rhode Island is the only New England state without such e zone.

The practical effect of foreign trade zone status was explained by Mr Norton L. Berman, Director of the D.E.D., before his departure for Washington to present the application. Normally, e company which imports goods into the U.S. and then re-exports them to e third country must pay duty on the goods even though the ultimate destination is the U.S. market.

When the goods are imported into a foreign trade zone, the company can transform and re-port them without the goods ever entering a U.S. customs territory. As e result, no duty has to be paid on them.

Moreover, duties on components are often higher than on finished products. By assembling components in a foreign trade zone, a company can bring a finished product into the U.S. customs territory at a lower tariff than if it had officially imported components for assembly without passing through a foreign trade zone.

In common with other states in the U.S., Rhode Island has launched e persuasive campaign to ettract companies to the state and the Department of Economic Development has issued e comprehensive booklet setting out the advantages offered to foreign investors.

Taken in conjunction with the good quality of the industrial sites which the state is making available and the likelihood thet the foreign trade zone application will be granted, Rhode Island's incentive packages are now probably as good as most and better than some.

The business climate has undoubtly improved since the 1982 revision of the state's workers' unemployment compensation tax system which, judging by all the complaints one hears from local businessmen, has been very burdensome.

Rhode Island is only one of two American states which pays unemployment benefit to workers, but it now has a more flexible rate system under which rates paid by employers range from 2.8 to 6 per cent of the first $9,200 paid to employees.

Rhode Island offers new industries three types of financing programmes:

1. Industrial revenue bonds issued by the Rhode Island Port Authority and Economic Development Corporation provide up to 100 per cent financing for industrial end commercial projects up to $10m et tax exempt rates.

2. The insured mortgage financing programme provides mortgage insurance for industrial construction, renovation end expansion of existing facilities. The state guarantees repayment of the first mortgage up to 90 per cent of the total cost of industrial real estate and up to 80 per cent for new machinery and equipment to e maximum of $5m.

3. Insured revenue bond financing reduces the interest rate for smaller companies that would not qualify for Industrial Revenue Bond financing.

The financing programmes go hand-in-hand with a number of significant tax incentives, including exemption from local property tax on new manufacturers located in Rhode Island and exemption from sales tax on manufacturing machinery and equipment.

In eddition, the state reimburses employers for up to 50 per cent of special on-the-job training programmes.

Education stresses 'high-tech'

WHATEVER the final recommendations of the Rhode Island Strategic Development Commission turn out to be, there can be no doubt that considerable attention will be devoted to the state's universities end institutes of higher learning. In the U.S., even more than elsewhere, great emphasis is being laid on the need to produce e sufficient number of highly qualified scientists, engineers, technicians end doctors to take advantage of the accelerating pace of technological progress.

The Rhode Island administration is clearly ewere of the favourable impact that good universities can have on the surrounding environment. One only has to look et neighbouring Massachusetts to realise what the effect of the famous Massachusetts Institute of Technology (MIT) has been.

A senior member of the Brown University teaching staff in Providence has pointed out that both the development of "high-tech" industries on route 128 around Boston and in Silicon Valley in Californie has been due largely to the research activities of MIT, in the first case, and Stanford University in the second.

The spin-off for the Rhode Island economy from the etate'e institutions of higher education has certainly been less spectecular so far, but there ere signs that things could change very soon.

Rhode Island and its capital Providence, are fortunate in being the home of Brown University, founded in 1764 and the country's seventh oldest college. One of the reputedly exclusive New England Ivy League universities, of which Harvard and Yale are the best known members, Brown looks every bit the venerable institution that it is.

Brown University, Providence, was founded in 1764 and is the country's seventh oldest college

Green and leafy

Situeted on a hill in Eastern Providence in a green and leafy district full of historic 18th and early 19th century buildings—a kind of New England Oxford or Cambridge—the visitor could be forgiven for thinking that Brown was somewhat remote from the real world.

Thet, however, would be a mistake. Over the past decade, Brown has made e serious effort not only to rid itself of the stuffy image sometimes associated with Ivy League colleges, but to hoist itself into the second half of the 20th century.

While other traditional universities heve returned to more rigid curricula following the educational upheavals of the lete 60s, Brown prides itself on providing a particularly flexible curriculum. Arts students are encouraged to put their own courses together and are not required to take a number of compulsory subjects, as they are in the other Ivy League universities.

Considerable care is taken by the student admissions committee to achieve e balanced social, geographical and racial mix among new undergraduates. As a result, Brown has recently become the most popular of all the Ivy League colleges, beeting even Hervard and Yale for the number of entry applications. This year, it received more than 13,000 applications for just over 1,300 places.

The university has also built a solid reputation for itself in the medical field, though it has had a medical school for little more than a decade. While it does not have its own teaching hospitals, it is closely associated with eight community hospitals in the state, where all the students' clinical education is obtained.

Brown's medical programme has had e great impact on medical care in Rhode Island. Hospitals affiliated with the university find they can attract and retain highly qualified American-trained physicians, whereas before, 50 to 60 per cent of the doctors in the state's hospitals were graduates of foreign medical schools.

Rhode Island'e economic planners hope that, now the breakthrough has been made, the state can also become the centre of a profitable medicare products industry. This suggestion will probably figure in the Strategic Development Committee's final report.

But the field in which Brown is really in the vanguard of progress is the computerisation of information and learning techniques. A few years ago, the university's 127 buildings were linked by co-axial cables in the first step towards the creation of an ambitious computer network.

Time-sharing

Under a $50m to $70m plan now being considered by the university enthorities, it is proposed that the present time-sharing accounts on a large mainframe computer system should be replaced by a system of powerful personal computers.

These are described as "scholars' workstations," which would provide the kind of services traditionally offered by e full-time research assistant and would be highly sophisticated in their analytical techniques.

The workstations will become available to students as early as the next ecademic year and, by 1989, some 10,000 will be provided on the university campus.

Both the privately endowed Brown University and the state-funded University of Rhode Island are co-operating more with private industry in joint research projects. Brown pioneered a partnership arrangement with an industrial corporation which has since been copied by other universities.

Under this arrangement, Sphere Technology Inc of Providence will manufacture and market products developed by an engineering professor at Brown who is perfecting e system of voice commands to computers.

In return, the company has given the university a large block of shares in Sphere which could amount to e very substantial financial endowment for the university's Laboratory for Engineering Man/Machines Systems if the enterprise proves to be successful.

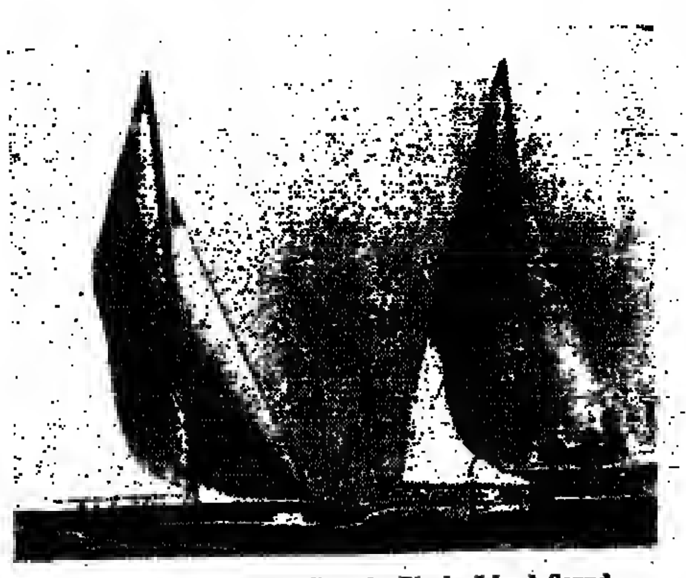
In the words of the Governor of Rhode Island, Mr Joseph Garrahy: "This is a good example of how strong links between industry and our universities' research capabilities can lead to exciting commercial applications that will provide new jobs for Rhode Islanders."

The University of Rhode Island, meanwhile, has created a joint research centre with local industrial companies on robotics with the aid of e large grant from the Netional Science Foundation. The target is to attract some 60 companies to co-operate in the scheme over the next few years.

URI, though not as famous as Brown, is making a substantial contribution to the state's economy. Situated in South Kingstown, some 30 miles south of Providence and only six miles from the sea, the university has an excellent department of oceanography, reputed to be one of the best in the country.

Graduates from URI provide about 15 per cent of the engineering staff of the nearby Neval Underwater Systems Centre. But it is an unfortunate fact that a university which is obliged—unlike Brown—to take a high proportion of Rhode Islanders among its students, still loses most of its engineering, computer and other graduetes to other states.

America's Cup is big business



America's Cup competitors in Rhode Island Sound

THE AMERICA'S CUP, probably the world's most prestigious yacht race, which is being held between June and September in Newport this year, has become very big business indeed.

Millions of dollars are being poured by this year's challengers for the "Auld Mug"—syndicates from Britain, Australia, Canada, France and Italy—into their attempts to win a trophy which has been in American hands since 1851.

In that year, the schooner America crossed the Atlantic to beat all the British competitors in a race round the Isle of Wight. Between 1860 and 1981, 24 unsuccessful challenges for the elusive cup have been made by Britain, Australia, Canada, France and Sweden.

Until very recently, the challenging boats have been hampered by lack of finance and efficient organisation, coupled with the severe handicap of having to race far from home. But this year, Peter de Savary, the 38-year-old British financier who formed the Victory syndicate in 1980, believes he has both the money and the organisation to mount a successful challenge.

Chewing on a fat Havana cigar in the luxurious living quarters of his ocean-going motor launch Kalizma, once the property of Richard Burton and Elizabeth Taylor and now his temporary Newport home, de Savary readily admits that he will have spent some $8m on the challenge since 1980.

That is about twice as much as the $4m which each of the two American syndicates—the Freedom and Defender-Courageous groups, which will be fighting it out to decide who will represent the U.S. in the race—have budgeted for.

The money does not, of course, all come out of de Savary's own pocket. Some 30 to 40 companies are involved in sponsoring Victory 83 and de Savary estimates that the amount of free equipment and services the syndicate has received at about $1m. "And the ball is only just starting to roll."

"In addition, we will have a lot of hardware to sell at the end, win or lose. We do, after all, own four 12-metre yachts." These include two new boats, Victory 82 and Victory 83, the 1980 British contender Lionheart and the 1980 challenger Australia, which de Savary has bought as a sparring partner for Victory 83.

The amount of money spent on the boats, however, is relatively small compared with infrastructure and general running costs. The Victory syndicate has to house and feed some 82 people altogether, including several wives and children, for which purpose it has rented four houses in Newport.

Its back-up organisation is formidable, including a fully-equipped workshop, which can do all but the most major repairs to boats and equipment, and several support craft.

Peter de Savary hotly dismissed suggestions made in the U.S. Press that the reason why the challengers have a much better chance of winning this year's race than before is that they now have access to advanced American technological equipment.

While it was true that everyone had the right to buy equipment and materials "off the shelf," that was as far as it went. "Our boat must be designed in Britain and so must our sails, although you can use an American loft to stitch the sails together."

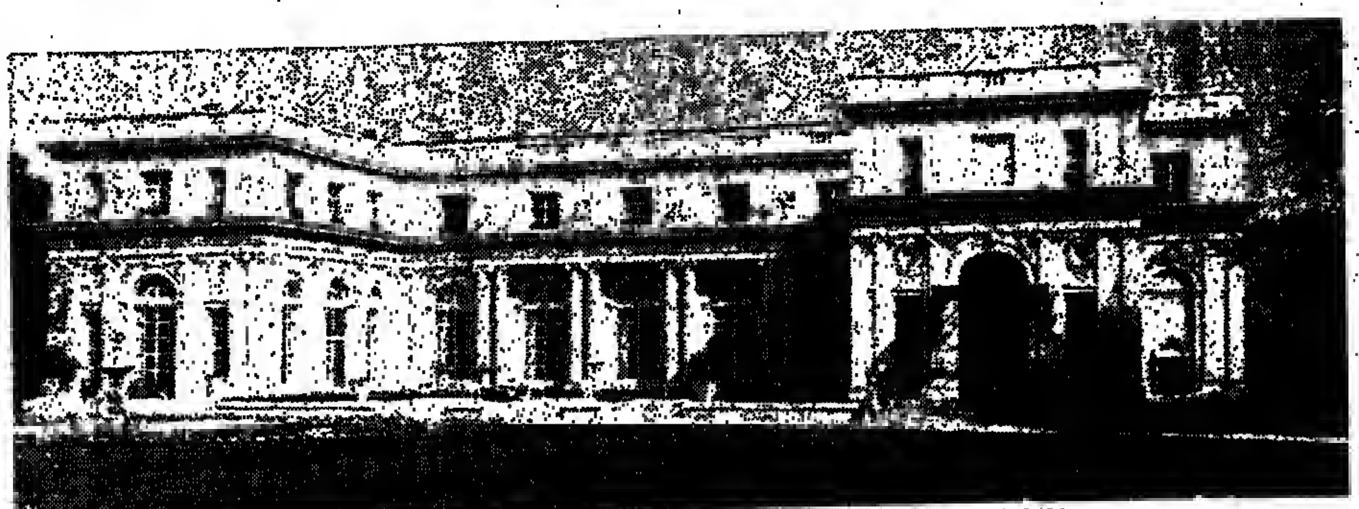
He pointed out that while the Victory syndicate had originally bought an American mast, this had later been abandoned because it was found that the British product was better. The U.S. syndicates had themselves acquired British winches, which showed that the technical traffic was not all one way.

In the case of computers, the rule was that they could be bought "off the shelf" as long as the software was designed in Britain. The British boats had tactical computers aboard designed and supplied by ICL.

"We are encouraged that we've got the best challenge ever," Peter de Savary said. "There is no reason why the best from Britain is not good enough."

In the last resort, however, it was the human factor which counted most. "You can have the finest hardware and still not win the America's Cup."

The main reason why the Americans had always won the race in the past was that their teamwork was so much better. The chief problem on the British side was for a set of highly-talented individuals to suppress their egos and work as a team. "Very great progress had been made in that direction," de Savary maintained.



Rosecliffe, modelled after the Grand Trianon at Versailles, is now owned by the Preservation Society of Newport County

Newport has everything from lovely beaches to historic houses

Where cottages are palaces

HOWEVER hard the economic planners may try, they are unlikely to come up with a more successful formula for attracting money, business and visitors to Rhode Island than that provided by the famous Atlantic coastal resort of Newport.

Situated on the tip of an island at the mouth of Narraganset Bay and linked to the mainland by two imposing bridges, Newport has all the necessary ingredients of an attractive holiday resort—a healthy climate, beautiful beaches, historical buildings, good sea-food and a world class sporting event, the Americas Cup yachting race.

It is also the home of the internationally famous Newport jazz festival, a "happening" which was discontinued for several years, but is due to be revived.

The Americas Cup alone is expected to funnel into Newport in 1983 $50m to $70m in addition to normal tourist receipts, and it seems doubtful whether the 2,000 available hotel rooms in the area will be sufficient to accommodate the large influx of American and foreign visitors.

Nevertheless, the municipal authorities are to be congratulated for the unusual achievment by a popular holiday resort of preserving its traditional features almost intact.

Those features include not only one of the most genuine and well-preserved conglomerations of 18th and early 19th century colonial buildings in New England, but a truly amazing collection of country mansions built along the seashore by the new rich in the post civil war period.

At the same time, the harbour area has been redeveloped in a style and with building materials which respect the colonial architecture of the old town and which, above all, avoid the excesses of scale so commonly found in modern European resorts such as those on the Costa del Sol in Spain and the Côte d'Azur in France.

For all the changes of the past few years, Newport remains a pleasant yachting and fishing village which has retained much of its character and which still appears to be slightly overawed by the hullabaloo surrounding the Americas Cup.

It comes as somewhat of a surprise to the visitor from Europe to learn how long Newport has been a vacation centre. Because of its temperate maritime climate, it attracted visitors from the hot and humid southern states as long ago as the early years of the 19th century.

The first hotel was built in the mid-1820s and the earliest summer houses date from the 1830s. Hundreds of guests used to stay in the town's hotels between 1825 and 1855 during what was already known as "the Newport season," attracting gossip writers from many of the big city newspapers.

By 1862, when Anthony Trollope paid a visit to Newport and a boom in "cottage" construction had begun, the English novelist was able to write of the international reputation which the resort had won.

The word "cottage" as a describtion of some of the edifices built along Bellevue Avenue is probably one of the few understatements ever employed by Americans. They are more like castles and palaces, inspired mostly by French prototypes such as the palace of Versailles and Italian models.

Various branches of the Vanderbilts and other leading families vied with each other and Louis XIV, during what has come to be known as America's "gilded age," to build architectural monuments which take the breath away.

The mixture of styles to be found in mansions such as The Breakers, Marble House, Rosecliff and The Elms provides a diet considerably richer than the clam chawder and lobster to be found in restaurants in Newport harbour.

Impressive

Yet whatever reservatious one might have about the recreation of some of Europe's architectual masterpieces in a completely different environment, it has to be admitted that the result is impressive and, from a tourist's point of view, well worth a visit.

What is more, most of the furniture, china, glassware, pictures and objets d'art have been fastidiously and lovingly collected and could certainly find a place in the world's greatest museums.

Thanks to the Newport Preservation Society, eight of the most outstanding mansions have been preserved in pristine condition and can be visited by tourists in the same way as the stately homes in Britain.

Newport, of course, is not Rhode Island'a only tourist attraction—far from it. The state is blessed not only with large areas of wooded country and inland lakes, but a beautiful southern coastline, whose fine beaches are all the more attractive for being relatively unexploited, and which provides excellent facilities for fishing.

But Newport certainly remains the jewel in the tourist industry's crown, attracting something like 3.5m visitors a year from inside and outside the state. The Neporters are crossing their fingers that they won't lose the Americas Cup, for if the competition were to be held elsewhere next time, that would clearly remove some of the gilt from the local gingerbread.

Pelham Street, Newport, is lined with 18th and 19th century houses. The city has more pre-1820 structures standing than any other community in the United States

WORLD STOCK MARKETS

CANADA

Stock	May 30	+or
[illegible]	[illegible]	[illegible]

AUSTRIA

May 30	Price Sch%	+ or
[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

May 30	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

NETHERLANDS

May 30	Price Fls.	+ or
[illegible]	[illegible]	[illegible]

NORWAY

May 30	Price Kroner	+ or
[illegible]	[illegible]	[illegible]

SPAIN

May 27	Price Pesetas	+ or
[illegible]	[illegible]	[illegible]

SWEDEN

May 30	Price Kronor	+ or
[illegible]	[illegible]	[illegible]

SWITZERLAND

May 30	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

DENMARK

May 30	Price Kroner	+ or
[illegible]	[illegible]	[illegible]

FRANCE

May 30	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

GERMANY

May 30	Price Dm.	+ or
[illegible]	[illegible]	[illegible]

ITALY

May 30	Price Lire	+ or
[illegible]	[illegible]	[illegible]

AUSTRALIA

May 30	Price Aust. $	+ or
[illegible]	[illegible]	[illegible]

HONG KONG

May 27	Price H.K.$	+ or
[illegible]	[illegible]	[illegible]

JAPAN

May 30	Price Yen	+ or
[illegible]	[illegible]	[illegible]

JAPAN (continued)

May 30	Price Yen	+ or
[illegible]	[illegible]	[illegible]

SINGAPORE

May 30	Price $	+ or
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

May 30	Price Rand	+ or
[illegible]	[illegible]	[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK — DOW JONES

	May 30	May 27	May 26	May 25	May 24	May 23	1983 High	1983 Low	Since Compil'n High	Since Compil'n Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol 000's	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

STANDARD AND POORS

Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL / TORONTO

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	May 30	May 27	May 26	May 25	1983 High	1983 Low
AUSTRALIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(**) Saturday May 28: Japan Dow 8592.90 TSE 835.32.

Exchange cross rates

Apr. 30	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschemark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc 10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira 1,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPE

Rate fears are again uppermost

CONCERN manifested itself throughout the European bourses yesterday over a possible upswing in world interest rates as a consequence of the bulge in U.S. money supply, now threatening a substantial overshoot for the year.

A further effect of the $2.1bn rise in M1 reported last Friday was to spur the dollar to new heights, reaching a six-month peak in Frankfurt at DM 2.5175 – 82 points firmer and prompting the Bundesbank to sell $42.55m – and an all-time Paris record fixed at FFr 7.5495, up 1.7 centimes. A weaker D-Mark was also fixed there at FFr 3 exactly, near its EMS floor.

Largely because of this, German share prices finished at their lowest for six weeks, with the Commerzbank index off 12.6 to 910.1. Vehicle issues were among the worst affected, upset additionally by news of a first quarter loss for Volkswagen.

VW fell DM 6.30 to DM 164.70, Daimler Benz DM 12.50 to DM 528 and BMW DM 6.50 to DM 325.50, although the volume of selling was low.

Markets in the U.S. were closed yesterday for Memorial Day and in the UK for the spring bank holiday. The Madrid bourse as usual did not trade on a Monday.

Public authority bonds saw losses of up to 85 basis points after declines every day last week. The Bundesbank, virtually the only buyer yesterday, absorbed DM 163.7m in paper.

French stocks crept lower, although with some bright features. Beghin Say in foods rose FFr 6 to FFr 286, while resistance to the trend was also found among constructions, electricals and metals.

Sporadic Milan buying interest met a scant volume of offerings, leading to a mixed finish. Olivetti eased L10 to L2,870 despite announcing modest turnover increases for the first four months. News that the board was pressing the French Government to reduce the 33 per cent stake held by the nationalised Saint-Gobain came after the close.

Industrials attracted Zurich interest while insurers and banks were neglected. Jacobs Suchard added SwFr 50 to SwFr 5,800 ahead of its annual press conference today while Sandoz picked up SwFr 75 to SwFr 5,025. Domestic bonds weakened.

An easier Amsterdam was enlivened by airline KLM, up Fl 4.50 to Fl 145.50, but banks continued their decline with ABN off Fl 5 at Fl 344 and Ned Mid Fl 2.50 to Fl 139.50. Bonds shed an average half-point.

Chemicals held Brussels steady as Solvay added BFr 70 to BFr 2,750 and Tessenderlo BFr 40 to BFr 1,330.

Stockholm remained busy but selling prevailed. Asea and Fortia slipped SKr 10 apiece to SKr 390 and SKr 610 respectively.

AUSTRALIA

Thin dealings

A MARGINALLY lower Sydney result emerged in extremely thin trading, with a lower gold price the only identifiable influence apart from the poorer New York finish last week.

BHP rose two cents to A$8.26 despite announcing on Friday a substantial drop last month in coal, iron and steel output.

Electrical company AWA reflected the day well, dealers said: it fell 20 cents on a turnover of only 400 shares. Melbourne showed some demand for banks.

SOUTH AFRICA

Firm but dull

AN AFTERNOON recovery by leading Johannesburg golds, as bullion again approached $440, was effected in low turnover ahead of a holiday today.

Recent expansion plans lifted Bracken 20 cents to R3.80 but pulled Randfontein R2.50 lower at R173.50.

Insurer Liberty Life jumped R4 to R55 but other industrials were listless

CANADA

Narrow range

A NARROW trading range was maintained in Toronto for much of the day, deprived of Wall Street's usual persuasive influence. Prices were slightly cheaper through the morning but turned upward soon after midday.

Weakness was concentrated among the golds, with base metals also affected, but oil and gas issues were adequately maintained.

Banks were the Montreal strong point while most industrials stood to the good but utilities fared poorly.

FAR EAST

Respite on trade aids Tokyo

THE ABSENCE of immediate signals that European leaders were using the Williamsburg economic summit to direct any vehement criticism against Japan on trade imbalances was identified by some Tokyo dealers yesterday as cause for muted cheer among investors there, but many were holding off to await further information.

Reduced foreign buying because of holidays elsewhere also meant that trading was on the thin side at some 280m shares, but the Nikkei Dow Jones market average managed a 29.45 gain to 8,622.35 after Saturday's 25.02 decline.

The stock exchange index added 2.78 to 638.11 as the broader market achieved a more robust correction of a 1.04 dip on Saturday.

Small-capital concerns were favoured, particularly those in the electronics sector.

High-priced blue chips also fared adequately, though, as did shares backed by good corporate results. Fuji Photo added Y60 to Y1,990, Nippon Electric Y30 to Y1,090, Toyota Y50 to Y1,170, Hitachi Y22 to Y797, TDK Y130 to Y5,430 and Victor Y190 to Y2,580.

Clarion rose Y55 to Y1,040 on an active 6.71m shares, buoyed by rumours of increased sales of car audio equipment in March and April. However, the company played this down, saying March sales had shown no sharply better rate of increase and the April figures had not yet been calculated.

Resources were depressed. Oils lost ground on the yen's renewed weakness against the dollar, with Nippon Oil off Y6 to Y856 and Showa Y8 to Y382.

Government bond prices also retreated with the yen, and traders expect the easier trend to persist while U.S. money supply remains volatile.

Sporadic Hong Kong selling pressure left the Hang Seng index 10.72 lower at 903.18, with property issues the worst affected. Cheung Kong shed 20 cents to HK$7.35.

An uncertain Singapore oscillation between buying support and profit-taking trimmed 4.30 from the Straits Times industrial index at 930.95 but provided rises of 24 cents for Intraco at S$4.26, 35 cents for Malayan Cement at S$8.05 and 30 cents for Public Bank at S$9.85.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Authorised Units—continued

Offshore and Overseas—continued

Insurances—continued

Insurances—continued

INSURANCE & OVERSEAS MANAGED FUNDS

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	62.9	66.2		—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583515.

Money Mngr April 29	58.2	62.1		—
MMFlexible April 6	50.5	55.0		—
Fixed Interest April 29	55.4	56.3		—

London Life Linked Assur. Ltd.
100, Temple St., Bristol, BS5 6EA. 0272-279179
See adjacent Page Mon-Fri and Stock Exchange Page Sat.

London & Manchester Gp.
Winslade Park, Exeter EX5 1DS. 0392 52155

Invest. Tst. Fd. Cap.	272.0	—	+0.1	—
Invest. Tst. Fd. Acc.	285.6	—	+0.1	10.0
Property Fund Cap.	117.9	—	+0.1	—
Property Fund Acc.	122.2	—	-0.1	3.7
Flexible Fund Cap.	179.5	—	+5.4	—
Flexible Fund Acc.	186.8	—	+1.5	3.4
Fixed Int. Fd. Cap.	139.7	—	+0.3	—
Fixed Int. Fd. Acc.	145.7	—	+0.4	—
Gtd. Deposit Fd. Cap.	137.7	—	...	—
Gtd. Deposit Fd. Acc.	142.4	—	...	—
Equity Fund Cap.	140.7	—	+3.3	—
Equity Fund Acc.	146.1	—	+3.4	—
International Fd. Cap.	134.7	—	-0.5	—
International Fd. Acc.	139.7	—	-0.5	—
Capital Gwth. Fd.	412.0	—	+4.2	—
Moneymaker Fund	164.7	—	+1.1	—
Exempt Inv Tst Cap.	382.2	—	...	—
Exempt Inv Tst Acc.	390.0	—	...	—

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	283.7		—
Property Fund (A)	274.3		—
Agricultural Fund	1081.5		—
Agric. Fund (A)	1054.1		—
Abbey Nat. Fund	224.9		—
Abbey Nat. Fd. (A)	224.0		—
Investment Fund	133.1		—
Investment Fund (A)	130.9		—
Equity Fund	402.5	-2.4	—
Equity Fund (A)	395.5	-2.4	—
Money Fund	210.3	-0.3	—
Money Fund (A)	206.6	+0.3	—
Actuarial Fund	210.9		—
Gilt-edged Fund	187.1	+0.4	—
Gilt-Edged Fd. (A)	187.1	+0.4	—
Retire Annuity	346.8	...	—
Immed. Ann'ty.	195.0		—
International Fd.	255.2	+0.4	—
Bldg. Soc. Life Fd.	101.2	...	—

Property Gth Pens & Annuities Ltd

All Wther Ac. Uts.	251.1	264.3	...	—
Inv. Fd. Uts.		281.4	...	—
Pension Fd. Uts.		242.6	...	—
Conv. Pens. Fd.		275.9	...	—
Cnv. Pns. Cap. Ut.		209.7	...	—
Man. Pens. Fd.		315.4	...	—
Man. Pens. Cap. Ut.		249.0	...	—
Prop. Pens. Fd.		271.5	...	—
Prop. Pens. Cap. Uts.		208.9	...	—
Bldg. Soc. Pen. Ut.		242.4	...	—
Bldg. Soc. Cap. Ut.		189.1	...	—
Gilts Pens. Fd.		165.4	+0.7	—
Gilts Pens. Fd. Cap.		146.6	-0.4	—
Equity Pens. Fd.		296.2	+2.2	—
Equity Pens. Fd. Cap.		219.5	+2.1	—

Providence Capital Life Assc. Co. Ltd.

OFFSHORE AND OVERSEAS

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

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COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued.

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

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LEISURE

LEISURE—Continued

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Components

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PROPERTY—Continued

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

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Finance, Land, etc.

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OVERSEAS TRADERS

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Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov.	May	Falcon Rh.50c	240	15	Q70c	♦	22.5
Nov.	May	Wankie Col. Z$1	21	25 4	Q5c	8 7	14 0
—		Zam Cpr.SBD0.24	23	980	—	—	—

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Admiral Mines	130	—	—	—	—
—		♥Anglo-Dominion	72	—	—	—	—
—		♥Anglo Utd. Dev.	83	—	—	—	—
—		♥Colby Res Corp.	92	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	430	23.12	‡Q60c	1.9	‡
—		††Explaura Gold	3	—	—	—	—
—		♥Highwood Res.	120	—	—	—	—
—		Homestake Mining $1	£22	11.5	hQ20c	—	0 6
—		Northgate C$1	405	977	—	—	—
Jan.	July	R.T.Z.	572	9.5	16 0	1.9	4.0
Jan	July	[illegible]	£129	9.5	[illegible]	21.4	17.6
—		♥Sabina Inds C$1	160	—	—	—	—
	May	♦Southwest Res 10p	18	[illegible]	—	—	—
—		♥Tara Expln $1	575	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	61xd	......
Bog'wtr. Est. 50p	265	......
Craig & Rose £1	£12	......
Finlay Pkg. 5p	35xd	−1
Graig Ship. £1	£21¼	......
Higsons Brew	102xd	......
Holt (Jos) 25p	910	......
I O M. Stm. £1	100	......
Pearce (C. H.)	£15	......
Peel Hldgs.	200	......

IRISH

Exch. 15pc 1983	£100	......
Nat. 9¾% 84/89	£87⅝	......
Fin. 13% 97/02	£97⅞	......
Alliance Gas	183	......
Arnott	200xd	+10
Carroll (P.J.)	115	......
Concrete Prods.	52	......
Helton (Hldgs.)	13	......
Irish Ropes	36	......
Jacob	81	+5
T.M.G.	70	......
Unidare	75	+2

OPTIONS

3-month Call Rates

Industrials

Allied-Lyons	15
BOC Grp	20
B.S.R.	12
Babcock	16
Barclays Bank	35
Beecham	35
Blue Circle	44
Boots	22
Bowaters	19
Brit. Aerospace	28
B.A.T.	65
Brown (J.)	5
Burton Ord.	35
Cadburys	11
Courtaulds	8½
Debenhams	12
Distillers	22
Dunlop	6
Eagle Star	35
F.N.F.C.	4½
Gen. Accident	40
Gen. Electric	22
Glaxo	90
Grand Met.	32
G.U.S. 'A'	55
Guardian	42
G.K.N.	16
Hawker Sidd	34
House of Fraser	17
I.C.I.	35
"Imps"	11
I.C.L.	8½
Ladbroke	20
Legal & Gen.	38
Lex Service	30
Lloyds Bank	45
"Lofs"	3½
London Brick	8
Lucas Inds.	15
"Mams"	12
Mrks. & Spncr	20
Midland Bank	35
N.E.I.	10
Nat. West. Bank	58
P & O Dfd.	14
Plessey	50
Racal Elect.	45
R.H.M.	6
Rank Org. Ord.	17
Reed Intnl.	28
Sears	9
T.I.	16
Tesco	14
Thorn EMI	50
Trusthouse	20
Turner & Newall.	4½
Unilever	80
Utd. Drapery	14
Vickers	12
Woolworth Hld.	27

Property

Brit. Land	8½
Cap. Counties	15
Land Sec.	30
MEPC	22
Peachey	16
Samuel Props.	20
Town & City	3

Oils

Brit. Petroleum	32
Burmah Oil	18
Charterhall	5
KCA	8
Premier	4
Shell	45
Tricentrol	19
Ultramar	48

Mines

Charter Cons.	28
Cons. Gold	50
Lonrho	8½
Rio T. Zinc	55

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling and dollar in demand

BY COLIN MILLHAM

Demand for sterling increased last week as the foreign exchanges became convinced that the Conservatives will soon be returned to power.

Investment buying on the prospect of another period of Tory rule outweighed any light profit taking, and for the most part the Bank of England appeared to be trying to prevent the pound from rising too sharply.

Sterling's trade-weighted index of 87.0 returned to the levels of late November, and was an improvement from 84.1 at the end of the previous week. The pound rose to its highest level since late January against the dollar at $1.6030, compared with $1.5560 on the previous Friday. It was also very firm against Continental's rising above DM4 for the first time this year, and finishing at DM 4.0350, against DM 3.825 a week ago. At the same time sterling rose to FFr 12.0850 from FFr 11.56; to SwFr 3.3475 from SwFr 3.2275; and to Y382 from Y364.

Apart from the political situation the pound was buoyed by expectations that interest rates will remain firm for some time, and this was also the major factor leading to the dollar's advance. Disappointing M1 money supply figures dispelled any lingering thoughts about lower U.S. interest rates in the near future, amid suggestions that the central banks were not prepared to prevent the dollar rising at the moment, because European leaders intended to use the strength of the dollar and high U.S. interest rates as a weapon against President Reagan at the Williamsburg Summit.

The dollar rose to a record FFr 7.5425 from FFr 7.43 against the French franc, and was close to an all time peak against the lira at L1489, compared with L1470.25 on the previous Friday.

It rose to the higest level this year in terms of the D-mark, at DM 2.5170, against DM 2.4765 a week earlier, and also improved to SwFr 2.0670 from SwFr 2.0740, and to Y238.20 from Y233.90.

U.S. and UK trade figures were published on Friday, and although there was some disappointment at the UK deficit, there was more concern about U.S. M1 money supply, with trade statistics generally ignored, including the good figures from Germany and Japan recently.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.6030	1.6018	1.6000	1.5979	1.5955
D-Mark	4.0350	4.0175	3.9850	3.9394	3.8666
French Franc	12.0850	12.1100	12.1825	12.4003	12.8641
Swiss Franc	3.3475	3.3325	3.3025	3.2603	3.1791
Japanese Yen	382.0	380.5	378.1	374.6	368.2

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.5442	+1.43	+0.72	±1.5447
Danish Krone ...	8.14104	8.15689	+0.10	−0.52	±1.6425
German D-Mark	2.24184	2.28038	+1.72	+1.01	±1.0642
French Franc ...	6.67456	6.84389	−0.45	−1.16	±1.4052
Dutch Guilder ...	2.52595	2.56424	+1.52	+0.81	±1.4964
Irish Punt	0.72569	0.721764	−0.54	−1.25	±1.6699
Italian Lira	1403.49	1353.15	−3.59	−3.59	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

May 27	£	$		£ Note Rates
Argentina Peso	188,418-188,518	80,440-80,490	Austria	28.16-28.43
Australia Dollar	1.8135-1.8155	1.1393-1.1639	Belgium	80.00-80.75
Brazil Cruzeiro	778.29-782.92	481.47-483.88	Denmark	14.33-14.63
Finland Markka	8.7529-8.7950	5.4720-5.4740	France	11.99-12.10
Greek Drachma	135.340-135.701	85.80-84.10	Germany	4.00-4.04
Hong Kong Dollar	11.27-11.35	7.085-7.095	Italy	2350-2390
Iran Rial	134.75*	83.25*	Japan	380-385
Kuwait Dinar (KD)	0.4655-0.4663	0.2916-0.2917	Netherlands	4.50-4.55
Luxembourg Fr.	80.38-80.48	50.15-50.18	Norway	11.40-11.50
Malaysia Dollar	3.6673-3.6825	2.2990-2.3010	Portugal	155-175
New Zealand Dlr.	2.4100-2.4150	1.5060-1.5070	Spain	219¼-225¼
Saudi Arab. Riyal	5.5130-5.5185	3.4500-3.4510	Sweden	12.01-12.13
Singapore Dollar	3.3400-3.3569	2.0939-2.0959	Switzerland	3.33-3.36
Sth. African Rand	1.7230-1.7256	1.0760-1.0765	United States	1.59-1.61
U.A.E. Dirham	5.8673-5.8735	3.6728-3.6730	Yugoslavia	133-146

*Selling rates.

BANK OF ENGLAND TREASURY BILL TENDER

	May 27	May 20		May 27	May 20
Bills on offer	£100m	£100m	Top accepted rate of discount	9.7066%	9.8470%
Total of applications	£433.86½m	£345.52½m	Average rate of discount	9.6863%	9.8191%
Total allocated	£100m	£100m	Average yield	9.93%	10.07%
Minimum accepted bid	£97.58	£97.545	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	8%	2%			

CURRENCY MOVEMENTS

May 27	Bank of England Index	Morgan Guaranty Change %
Sterling	87.0	−34.3
U.S. dollar	125.5	+18.4
Canadian dollar	91.8	−17.2
Austrian schilling	118.1	+29.2
Belgian franc	93.0	− 9.7
Danish kroner	82.2	−18.5
Deutsche mark	128.2	+55.0
Swiss franc	151.5	+107.9
Guilder	117.0	+23.1
French franc	69.3	−23.8
Lira	51.5	−59.3
Yen	147.1	+40.9

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average).

CURRENCY RATES

May 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.612830	0.568473
U.S. $	8½	1.07863	0.808340
Canadian $	9.50	*	1.11933
Austria Sch	3¾	19.0475	16.0392
Belgian F	8½	54.0367	45.5448
Danish Kr	7½	9.68070	8.15689
D mark	4	2.70561	2.28039
Guilder	4½	3.04288	2.56494
French F	9½	8.18478	6.84389
Lira	17	1606.08	1353.15
Yen	5½	253.581	215.876
Norwgn Kr	9	7.69818	6.48101
Spanish Pta	—	150.108	126.577
Swedish Kr	8½	8.11777	6.83028
Swiss Fr	4	2.24679	1.89298
Greek Dr'ch	20½	N/A	75.3006

*C$/SDR rate for May 25: 1.33109.

THE POUND SPOT AND FORWARD

May 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.5955-1.6055	1.6025-1.6035	0.17-0.12c pm	1.08	0.33-0.28 pm	0.76
Canada	1.9660-1.9780	1.9730-1.9740	0.12-0.02c pm	0.42	0.30-0.20 pm	0.51
Nethlnd.	4.50-4.55	4.53¼-4.54¼	2-1½c pm	4.63	5-4½ pm	4.19
Belgium	79.80-80.50	80.38-80.48	7c pm-3 dis	0.30	19 pm-par	0.25
Denmark	14.31-14.41	14.39-14.40	1½-¼ore pm	1.04	¾ pm-½ dis	0.07
Ireland	1.2670-1.2800	1.2760-1.2780	0.38-0.49p dis	−4.09	1.36-1.48dis	−4.45
W. Ger.	3.99½-4.04½	4.03-4.04	2-1½pf pm	5.20	5¼-4½ pm	4.96
Portugal	159.00-160.80	159.70-160.40	325-1595c dis	−19.87	800-2220d	−35.24
Spain	222.25-223.76	223.00-223.30	250-280c dis	−14.25	700-800dis	−13.44
Italy	2,373-2,391	2,385½-2,387½	9½-10½lire dis	−4.78	32½-35½dis	−5.70
Norway	11.37-11.45	11.42½-11.43½	3½-4½ore dis	−4.07	9⅞-10¼ dis	−3.83
France	11.98-12.10	12.08-12.09	2-3c dis	−2.48	9-10½ dis	−3.24
Sweden	11.99-12.07	12.05-12.06	1½-1⅞ore dis	−1.56	3½-4¼ dis	−1.28
Japan	379-383	381½-382½	1.30-1.10y pm	3.77	3.70-3.50 pm	3.77
Austria	28.05-28.40	28.30-28.35	13½-12½gro pm	5.40	39¾-34¼ pm	5.22
Switz.	3.32-3.38	3.34½-3.35½	1⅝-1¼c pm	5.38	4¾-4¼ pm	5.38

Belgian rate is for convertible francs. Financial franc 80.40-80.50. Six-month forward dollar 0.54-0.49c pm. 12-month 0.80-0.70c pm.
* C$/SDR rate for May 26: 1.33350.

THE DOLLAR SPOT AND FORWARD

May 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5955-1.6055	1.6025-1.6035	0.17-0.12c pm	1.08	0.33-0.28 pm	0.76
Ireland†	1.2565-1.2610	1.2565-1.2585	0.60-0.50c pm	5.24	1.85-1.50 pm	5.00
Canada	1.2308-1.2326	1.2310-1.2315	0.03-0.06c dis	−0.44	0.08-0.11dis	−0.31
Nethlnd.	2.8180-2.8300	2.8280-2.8300	0.81-0.71c pm	3.23	2.30-2.20 pm	3.18
Belgium	50.05-50.18	50.15-50.19	1⅞-3c dis	−0.54	5½-7½ dis	−0.52
Denmark	8.9700-8.9900	8.9800-8.9900	0.70ore pm-0.10d	−0.40	0.30pm-0.50d	−0.02
W. Ger.	2.5020-2.5180	2.5165-2.5175	0.88-0.83pf pm	4.08	2.88-2.83 pm	4.22
Portugal	99.80-100.50	99.80-100.30	250-1000c dis	−75.00	400-1400dis	−36.00
Spain	139.15-139.40	139.30-139.40	150-190c dis	−14.65	470-540dis	−14.50
Italy	1,487½-1,489½	1,488½-1,489½	7-8lire dis	−6.04	23½-25 dis	−6.51
Norway	7.1300-7.1550	7.1450-7.1550	2.85-3.35ore dis	−5.13	7.45-7.95dis	−4.32
France	7.5050-7.5450	7.5400-7.5450	2.05-2.20c dis	−3.38	7.00-7.50dis	−3.85
Sweden	7.5200-7.5400	7.5300-7.5400	1.40-1.90ore dis	−2.63	3.60-4.10dis	−2.05
Japan	238.90-238.30	238.15-238.25	0.58-0.53y pm	2.79	1.85-1.77 pm	3.04
Austria	17.65-17.69	17.67-17.68	7.10-6.30gro pm	4.55	21-18½ pm	4.47
Switz.	2.0740-2.0880	2.0865-2.0875	0.72-0.67c pm	4.00	2.36-2.30 pm	4.46

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 50.15-50.25.

EXCHANGE CROSS RATES

May 27	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.603	4.035	382.0	12.085	3.348	4.538	2387.	1.974	80.46
U.S. Dollar	0.624	1.	2.517	238.3	7.538	2.088	2.831	1489.	1.231	50.17
Deutschmark	0.248	0.397	1.	94.67	2.995	0.830	1.125	591.4	0.489	19.93
Japanese Yen 1,000	2.618	4.196	10.56	1000.	31.64	8.763	11.88	6247.	5.166	210.5
French Franc 10	0.827	1.326	3.338	316.1	10.	2.770	3.755	1975.	1.633	66.56
Swiss Franc	0.299	0.479	1.205	114.1	3.610	1.	1.355	712.9	0.590	24.06
Dutch Guilder	0.220	0.353	0.889	84.19	2.663	0.738	1.	526.0	0.435	17.73
Italian Lira 1,000	0.419	0.672	1.691	160.1	5.064	1.403	1.901	1000.	0.827	33.70
Canadian Dollar	0.507	0.812	2.045	193.6	6.124	1.696	2.299	1209.	1.	40.76
Belgian Franc 100	1.243	1.993	5.017	474.8	15.03	4.162	5.642	2967.	2.454	100.

MONEY MARKETS

Left out of the party

London's money market has the appearance of a small boy staring through the window at a party his mother has forbidden him to attend. All the other guests have arrived very early and are already celebrating, and the little boy would love to join them but he dare not disobey.

Gilts and the foreign exchanges decided early last week that there was little chance of the Conservative lead in the opinion polls being eroded by June 9, and this optimism only seemed to grow stronger as the days went by.

On the other hand interest rates are locked into a situation which is not entirely within domestic control. Money supply growth on both sides of the Atlantic has been causing concern lately, with some very high U.S. M1 figures dashing hopes of an early cut in the Federal Reserve discount rate.

UK money supply growth has also led to sugestions that there was no justification for the last cut in clearing bank base rates, let alone another. This expectation of high interest rates in New York and London was to some extent behind the demand for the dollar and sterling last week.

If the opinion polls and financial markets are correct the Tories will be returned for another term, only to be faced with an immediate problem. Keep interest rates firm and risk an increase in the building societies mortgage rate, plus a return to a very strong pound on the foreign exchanges, or solve these difficulties by allowing rates to fall. An improvement against the dollar may be desirable, but will British industry welcome levels over DM4 against the D-mark of FFr 12 in terms of the French franc. But the alternative of encouraging a fall in base rates seems unlikely to square with present Conservative principles if it increases the money supply and creates inflationary pressure.

Against this background the money market does not know which way to go. Without showing much movement the yield curve changes from flat to positive and back to flat again on changing sentiment. But assuming the celebrations continue in the City, with Mrs Thatcher returning as guest of honour on June 9, the market will still be outside the window looking in.

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LONDON MONEY RATES

May 27 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	10.15	10¼-10⅜	—	—	10½-10⅝	8½-10¼	—	—	—
2 days notice	—	...	10¼-10⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10¼-10⁵⁄₁₆	10¼	—	—	10½-10⅝	10-10¼	—	—	—
One month	10³⁄₁₆-10⅛	10³⁄₁₆-10⅛	10³⁄₁₆	10⅜-10⅛	10³⁄₁₆	10⅝	10-10⅛	10-10¹⁄₃₂	10⅛	10⁵⁄₁₆
Two months	10³⁄₁₆-10⅛	10¼-10⅜	10¼	10⅜-10⅛	10⅜	10⅝	9⅞-10	9⅞	9⅞	10⅜
Three months	10¼-10⅛	10¼-10⅜	10¼	10⅝-10⅜	10⅜	10⅝	9¾-9⅞	9¾-9⅞	9⅞	10⅜
Six months	10⅛-10	10¼-10⅜	10¼	10⅛-8⅝	10⅜	—	—	—	9⅝-9⅝	10⅛
Nine months	10⅛-10	10¼-10⅜	10¼	10⅝-10⅜	10⅜	—	—	—	—	—
One year	10⅛-10	10¼-10⅛	10¼	10½-10¼	10⅜	—	—	—	—	—
Two years	—	—	10⅞	—	—	—	—	—	—	—

ECGD Rate Export Finance Scheme IV Average Rate for interest period April 6 to May 3 1983 (inclusive): 10.304 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 11 per cent; four years 11¼ per cent; five years 11½ per cent. ◆Bank bill rates in table are buying rates for prime paper. Buying rates for four month bank bills 9¹³⁄₁₆-9⅞ per cent; four months trade bills 10⅜ per cent.

Approximate selling rate for one month Treasury bills 9¹⁵⁄₁₆-10 per cent; two months 9²⁹⁄₃₂-9⅞ per cent; three months 9¹³⁄₁₆-9¾ per cent. Approximate selling rate for one month bank bills 10¹⁄₃₂ per cent; two months 9 57-64ths-9²⁹⁄₃₂ per cent and three months 9 53-64ths-9²⁷⁄₃₂ per cent; trade bills one month 10¹⁄₁₆ per cent; two months 10⁵⁄₁₆ per cent and three months 10⁵⁄₁₆ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 11 per cent from May 1 1983. London and Scottish Clearing Bank Rates for lending 10 per cent. London Deposit Rates for sums at seven days' notice 6¾ per cent.

Treasury Bills: Average tender rates of discount 9.6863 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held one month 10½ per cent; one-three months 10¼ per cent; three-six months 10¼ per cent; six-12 months 10¼ per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 3-5 10¼ per cent. The rates for all deposits withdrawn for cash 9 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES

(Market closing rates)

May 27	Short term	7 days notice	Month	Three Months	Six Months	One Year
Sterling	10¼-10⅜	10¼-10⅜	10¼-10⅜	10¼-10⅜	10¼-10⅜	10⁵⁄₁₆-10⁷⁄₁₆
U.S. Dollar	8¾-9	8⅞-9⅛	9-9¼	9¼-9⅜	9⁵⁄₁₆-9⁷⁄₁₆	9⅝-9⅞
Can. Dollar	10-11	9-9¼	9⅜-9⅝	9⁵⁄₁₆-9⁹⁄₁₆	9⅝-9⅞	9¾-10
D. Guilder	5⅜-5⅝	5⅛-5⅜	5⅜-5⅝	6⅛-6¼	6¹⁄₁₆-6⁵⁄₁₆	7-7½
S. Franc	4¾-5	3-3½	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅝-5⅛
Deutschm'rk	4¼-4⅜	4⅞-5	4⅝-5	5⅛-5⅜	5¹⁄₁₆-5⅛	5⅛-5⅜
Fr'nch Franc	12-18¼	12⅛-19⅜	12¾-19½	13-13¾	10½-10⅝	17-17¼
Italian Lira	10-19	12⅝-14	14¾-15⅜	15¾-16½	16¾-17⅝	18-18¾
Belg. Franc Conv.	8¼-10½	9-9⅜	9⅛-10	8¾-10	10⅛-10⅝	10½-10¾
Fin.	9¼-9¾	8¾-9¼	9⅞-10⅛	10-10¼	10⅛-10⅜	10¼-10½
Yen	6⅛-6¼	6¼-6⅝	6⁵⁄₁₆-6⁹⁄₁₆	6⁵⁄₁₆-6⁹⁄₁₆	6⅝-6⁷⁄₁₆	6⅝-6½
D. Krone	4¼-4¾	5⅝-5⅞	8½-9	9¾-10¼	10⅝-11⅛	11¼-11¾
Asia $ (Sing.)	—	—	—	—	—	—

FT LONDON INTERBANK FIXING

11.00 a.m. MAY 27

3 month U.S. dollars		6 month U.S. dollars	
bid 8 15/16	offer 9 7/16	bid 9 1/2	offer 9 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	10½
Fed funds (lunch-time)	8½-8⅝
Treasury bills (13-week)	8.47
Treasury bills (26-week)	8.52

GERMANY

Lombard	5.0
Overnight rate	5.025
One month	5.25
Three months	5.35
Six months	5.40

FRANCE

Intervention rate	12.5
Overnight rate	12.25
One month	12.4375
Three months	12.5
Six months	12.625

JAPAN

Discount rate	5.5
Call (unconditional)	6.15625
Bill discount (3-month)	6.59375

SWITZERLAND

Discount rate	4
Overnight rate	7½-8½
One month	4¹³⁄₁₆-4¹⁵⁄₁₆
Three months	4¾-4⅞

NETHERLANDS

Discount rate	4½
Overnight rate	5½-5¾
One month	5⅞-6
Three months	6-6⅛
Six months	6⅛-6¼

$ CERTIFICATES OF DEPOSIT

One month	8.90-9.00
Three months	9.05-9.15
Six months	9.25-9.35
One year	9.40-9.50

LONG TERM EURO $

Two years	10¼-10½
Three years	10¾-11
Four years	11-11¼
Five years	11¼-11½

SDR LINKED DEPOSITS

One month	8¼-8⅝
Three months	8⁷⁄₁₆-8¹³⁄₁₆
Six months	8¾-9⅛
One year	9⅛-9½

ECU LINKED DEPOSITS

One month	8⁹⁄₁₆-8¹⁵⁄₁₆
Three months	8⁹⁄₁₆-8¹⁵⁄₁₆
Six months	9⁵⁄₁₆-9¹¹⁄₁₆
One year	9⅞-10¼

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	90.77	90.79	90.71	90.78
Sept	90.42	90.44	90.33	90.41
Dec	90.20	90.20	90.10	90.16
March	90.00	90.03	89.97	89.98
June	89.78	89.78	89.74	89.72

Volume 2,134 (1,940)
Previous day's open int. 6,062 (4,663)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
June	89.93	89.94	89.91	89.90
Sept	90.15	90.17	90.12	90.14
Dec	90.05	90.09	90.05	90.06
March	89.89	89.90	89.87	89.87
June	89.75	89.75	89.75	89.71

Volume 666 (861)
Previous day's open int. 3,843 (3,737)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	106-12	106-15	105-26	105-29
Sept	106-01	106-08	105-14	105-18
Dec	107-30	107-30	107-16	107-11
March	107-13	107-18	107-13	107-00
June	107-02	107-02	107-02	106-21

Volume 2,213 (3,100)
Previous day's open int. 4,101 (4,063)
Basis quote (clean cash price of 15½% Treasury 1998 less equivalent price of near futures contract) 02 to 06 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6005	1.6045	1.5960	1.5939
Sept	1.5975	1.6020	1.5944	1.5919
Dec	1.5960	1.5970	1.5960	1.5895

Volume 1,242 (1,339)
Previous day's open int. 2,951 (2,834)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3988	0.3993	0.3986	0.4019
Sept	0.4034	0.4043	0.4034	0.4063
Dec	—	—	—	—

Volume 119 (82)
Previous day's open int. 558 (557)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.4819	0.4819	0.4800	0.4826
Sept	0.4871	0.4871	0.4865	0.4887
Dec	—	—	—	—

Volume 176 (24)
Previous day's open int. 463 (471)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.4219	0.4210	0.4204	0.4233
Sept	0.4251	0.4251	0.4240	0.4268
Dec	—	—	—	—

Volume 265 (39)
Previous day's open int. 378 (388)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	75-28	76-08	75-27	75-29
Sept	75-10	75-22	75-08	75-19
Dec	74-28	75-08	74-26	74-28
March	74-16	74-23	74-10	74-10
June	74-04	74-12	74-02	74-04
Sept	73-26	74-01	73-24	73-26
Dec	73-18	73-26	73-18	73-18
March	73-11	73-13	73-11	73-11
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
June	91.47	91.50	91.42	91.40
Sept	91.20	91.25	91.17	91.15
Dec	90.98	91.04	90.97	90.96
March	90.77	90.85	90.77	90.77
June	90.59	90.64	90.60	90.61
Sept	90.41	90.45	90.41	90.42
Dec	90.22	90.27	90.22	90.25
March	90.09	90.07	90.06	90.19

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
June	91.03	91.05	90.99	90.97
Sept	90.62	90.67	90.60	90.58
Dec	90.35	90.40	90.33	90.32

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
June	90.49	90.50	90.45	90.42
Sept	90.14	90.17	90.11	90.09
Dec	89.89	89.95	89.87	89.87
March	89.67	89.73	89.67	89.67

STERLING (IMM) $s per £

	Close	High	Low	Prev
June	1.6040	1.6060	1.5960	1.6020
Sept	1.6020	1.6035	1.5930	1.6005
Dec	1.6010	1.6025	1.5935	1.6010
March	1.6000	1.6000	1.5940	1.5980
June	—	—	—	—
Sept	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	69-11	69-22	69-10	69-16
Sept	68-25	69-04	68-23	68-28
Dec	68-07	68-17	68-06	68-08
March	67-21	67-30	67-20	67-23
June	67-07	67-14	67-07	67-08
Sept	66-26	67-00	66-26	66-27
Dec	66-13	66-21	66-13	66-13
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—
Dec	—	—	—	—

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 27	change		May 27	change
LONDON			**NEW YORK**		
Base rates	10	Unch'd	Prime rates	10½	Unch'd
7 day interbank	10¼-10⁵⁄₁₆	Unch'd	Federal funds	8½-8⅝	Unch'd
3 mth interbank	10¼-10⅜	Unch'd	3 mth Treasury Bills	8.47	+0.31
Treasury Bill Tender	9.6865	−0.1328	6 Mth. Treasury Bills	8.52	+0.27
Band 1 Bills	10⅛	Unch'd	3 Mth. C D	8.86	+0.15
Band 2 Bills	10	Unch'd	**FRANKFURT**		
Band 3 Bills	9⅞	Unch'd	Lombard	5.00	Unch'd
3 Mth. Treasury Bills	9¾-9⅞	Unch'd	One Mth. Interbank	5.025	−0.225
1 Mth. Bank Bills	10⅛	Unch'd	Three month	5.35	+0.05
3 Mth. Bank Bills	9⅞	−⅛	**PARIS**		
TOKYO			Intervention Rate	12½	Unch'd
One month Bills	5.53125	+0.0625	One Mth. Interbank	12⅛	−⅛
Three month Bills	6.59375	Unch'd	Three month	12½	Unch'd
BRUSSELS			**MILAN**		
One month	9⅞	−⅛	One month	17⅝	Unch'd
Three month	10	−⅛	Three month	17⅛	Unch'd
AMSTERDAM			**DUBLIN**		
One month	5⅛	+⅛	One month	14⅛	+⅛
Three month	6⅛	+⅛	Three month	14¾	+¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 9,023
A=Asked B=Bid C=Call P=Put

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 27 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviation: (A) approximate rate, no direct quotation available: (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.23
Algeria	Dinar	(A) 7.6160
Andorra	French Franc	12.085
	Spanish Peseta	223.16
Angola	Kwanza	(CM) 48.684
Antigua (S)	E. Caribbean $	4.33
Argentina	Ar. Peso	188,318
Australia (S)	Australian $	1.8146
Austria	Schilling	28.325
Azores	Portugu'se Escudo	160.05
Bahamas	Ba. Dollar	1.6030
Bahrain	Dinar	0.6033
Balearic Isles	Spa. Peseta	223.15
Bangladesh	Taka	38.45
Barbados	Barbados $	3.2060
Belgium	B. Franc	(cm) 80.45
		(fn) 80.45
Belize	B $	3.2060
Benin	C.F.A. Franc	604.25
Bermuda	Bda $	1.6030
Bhutan	Indian Rupee	15.94
Bolivia	Bolivian Peso	(cm) 70.55
		(F)(A) 517.40
Botswana	Pula	1.7650
Brazil	Cruzeiro ††	780.99
Brit. Virgin Isles	U.S. $	1.6030
Brunei	Brunei $	3.3478
Bulgaria	Lev	1.4845
Burma	Kyat	13.0435
Burundi	Burundi Franc	130.89
Cameroon Republic	C.F.A. Franc	604.85
Canada	Canadian $	1.9735
Canary Islands	Spanish Peseta	223.15
Cape Verde Isle	Cape V. Escudo	108.65
Cayman Islands	Cay. Is. $	1.3358
Cent. Afr. Republic	C.F.A. Franc	604.25
Chad	C.F.A. Franc	604.25
Chile	C. Peso	119.08
China	Renminbi Yuan	3.1674
Colombia	C. Peso	(F) 128.486
Comoro Islands	C.F.A. Franc	604.25
Congo (Brazzaville)	C.F.A. Franc	604.25
Costa Rica	Colon	(D) N/A
		(F) 64.10
Cuba	Cuban Peso	1.3525
Cyprus	Cyprus £	0.820
Czechoslovakia	Koruna	(com) 8.60
		n/c 16.71
		(T) 16.10
Denmark	Danish Krone	14.395
Djibouti	Fr.	275 (sg)
Dominica	E. Caribbean $	4.33
Dominican Repub.	Dominican (Peso)	1.6030
Ecuador	Sucre	(O) 68.89
		(F) 134.45
Egypt	Egyptian £	(U) 1.336
Equatorial Guinea	Ekuele	446.5
Ethiopia	Ethiopian Birr	(P) 3.2500
Falkland Islands	Falkland Is £	1.0
Faroe Islands	Danish Krone	14.395
Fiji Islands	Fiji $	1.6220
Finland	Markka	8.7736
France	French Franc	12.085
French C'tyIn Af*	C.F.A. Franc	604.25
French Guiana	Local Franc	12.085
French Pacific Is.	C.F.P. Franc	215 (sg)
Gabon	C.F.A. Franc	604.25
Gambia	Dalasi	4.00
Germany (East)	Ostmark	4.035
Germany (West)	Deutsche Mark	4.035
Ghana	Cedi	4.38
Gibraltar	Gibraltar £	1.0
Greece	Drachma	134.0205

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	[illegible]
Granada	E. Caribbean $	[illegible]
Guadaloupe	Local Franc	[illegible]
Guam	U.S. $	[illegible]
Guatemala	Quetzal	[illegible]
Guinea Republic	Syli	[illegible]
Guinea Bissau	Peso	[illegible]
Guyana	Guyanese $	[illegible]
Haiti	Gourd	[illegible]
Honduras Repub.	Lempira	[illegible]
Hong Kong	H.K. $	[illegible]
Hungary	Forint	[illegible]
Iceland	I. Krona	[illegible]
India	Ind. Rupee	[illegible]
Indonesia	Rupiah	[illegible]
Iran	Rial	[illegible]
Iraq	Iraq Dinar	[illegible]
Irish Republic	Irish £	[illegible]
Israel	Shekel	[illegible]
Italy	Lira	[illegible]
Ivory Coast	C.F.A. Franc	[illegible]
Jamaica	Jamaica Dollar	[illegible]
Japan	Yen	[illegible]
Jordan	Jordan Dinar	[illegible]
Kampuchea	Riel	[illegible]
Kenya	Kenya Shilling	[illegible]
Kiribati	Australian $	[illegible]
Korea (Nth)	Won	[illegible]
Korea (Sth)	Won	[illegible]
Kuwait	Kuwait Dinar	[illegible]
Laos	New Kip	[illegible]
Lebanon	Lebanese £	[illegible]
Lesotho	Maluti	[illegible]
Liberia	Liberian $	[illegible]
Libya	Libyan Dinar	[illegible]
Liechtenstein	Swiss Franc	[illegible]
Luxembourg	Lux Franc	[illegible]
Macao	Pataca	[illegible]
Madeira	Portug'se Escudo	[illegible]
Malagasy Republic	MG Franc	[illegible]
Malawi	Kwacha	[illegible]
Malaysia	Ringgit	[illegible]
Maldive Islands	Rufiyaa	[illegible]
Mali Republic	Mali Franc	[illegible]
Malta	Maltese £	[illegible]
Martinique	Local Franc	[illegible]
Mauritania	Ouguiya	[illegible]
Mauritius	M. Rupee	[illegible]
Mexico	Mexican Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru	Australian Dollar	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherland Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. Dollar	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norway Krone	[illegible]
Oman Sul'ate of	Rial Omani	[illegible]
Pakistan	Pakistan Rupee	[illegible]
Panama	Balboa	[illegible]
Papua N.Guinea	Kina	[illegible]
Paraguay	Guarani	[illegible]

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exc(A) 2,267.88
Philippines	Philippine Peso	15.80
Pitcairn Islands	£ Sterling / New Zealand $	2.4125
[illegible]		

* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ** Rate is the transfer market (controlled). ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. ‖ Based on gross rates against Russian rouble. (1) Essential goods. (2) Controlled rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Free rate for luxury imports, remittances of money abroad and foreign travel. (6) Government controlled for

FINANCIAL TIMES SURVEY

Bahrain

Bahrain has been little affected so far by the drop in Gulf oil revenues. The national plan has been stretched from four to six years, but no major projects have been cancelled. The main topic of political discussion among Bahrainis is the prospect of the re-election of a National Assembly

Taking oil glut in its stride

By MICHAEL FIELD

"BAHRAINIS ought to be worried," remarked a Western banker who visited the state recently. "But you don't seem to meet anyone who says he's worrying."

The view the banker had gathered in London was that the whole Gulf was being mightily squeezed by the decline in oil production and the cut in prices. Once in Bahrain, all that he had discovered was that the four-year plan was being stretched to six years and that there was some relaxed speculation about whether in the next few years some of the offshore banks might leave the island.

None of the Arabian oil states are as worried about the decline in their oil revenue as they seem to be from the capitals of the industrialised world. And Bahrain is probably less concerned than most. The state still draws about 70 per cent of its budget revenues from oil, but it is much less dependent than other oil producers on state spending for its prosperity.

In the course of the last 15 years the Government has encouraged the development of various private sector activities and state capitalist enterprises that have become important contributors to national income and employers of large numbers of Bahrainis.

Among these schemes have been: offshore banks, exempt companies—regional concerns which are exempted from Bahraini majority ownership laws, the Aluminium Bahrain smelter, the pan-Arab Arabian Ship Repair Yard, and Gulf Air—which has its headquarters in Bahrain.

It is true that the Government is still a bigger employer than any of these enterprises and that tha performance of most of the companies is influenced by the state of the other Gulf oil producers' economies.

The important point for Bahrain is that the existence of reasonably diverse industrial and financial sectors, dealing mainly with still buoyant private business in the other oil states, puts the economy at one remove from feeling the direct recessionary effects of the oil glut.

For immediate practical purposes, the Government has to worry about the possible cancellation or postponement of some of the joint-Arab industrial projects planned for the island.

It also has to think of ways of increasing its non-oil revenues and cutting tha levels of subsidies it gives to its people.

Recently, it has raised the price of petrol at the pump and increased import duties on cars, furniture and alcohol.

For the long term there is talk of introducing income tax, which at present is viewed by Bahrainis, and by other Gulf Arabs, as a dangerously socialist and thoroughly un-Arabian institution.

The Bahraini Government knows that if it runs seriously short of money it will be helped by Kuwait and Saudi Arabia, by whose standards the island's requirements are insignificant.

Relaxed

Shaikh Khalifa bin Sulman al Khalifa, the Prime Minister, has visited both Riyadh and Kuwait in the last six weeks, partly, it is believed, to talk about his country's finances.

Politically, the prospects facing the Government look significantly better than they did two or three years ago.

The Bahrainis now feel less threatened by Iran, even though Tehran still harbours Hadi Mudarasi, an exiled Bahraini school master and preacher, who is dedicated to overthrowing the rule of the Khalifa family. Mudarasi's Islamic Front for the Liberation of Bahrain organised the Shia Muslim *coup d'etat* plot of December 1981, which was unmasked by the Bahraini authorities shortly before it was due to be put into effect.

The Government's more relaxed view of Tehran has been prompted by the failure of the Iranian air force to make much impact in the war with Iraq and by the bloodshed and chaos within Iran, which has diminished tha allure of Islamic revolution in the eyes of young Bahrainis.

Equally important, the existence of the Gulf Co-operation Council, formed in 1980, gives Bahrain's rulers the feeling that the Gulf states are less likely to be subverted one by one by the Iranians.

It is significant that during the negotiations this month on the Gulf oil slick, produced by damaged Iranian wells, the Tehran Government received a Kuwaiti-United Arab Emirates mission representing tha whole GCC.

Tehran says that it regards the GCC as an imperialist-sponsored anti-Iranian alliance, which ought to learn to live with Iran as the dominant regional power, but in the case of the oil slick it seems prepared to treat with the Council states as a singla unit.

Internally all has been quiet since the exposure of the 1981 plot.

The main subject of political debate within Bahrain is whether the Government is likely to reintroduce a National Assembly.

Bahrain's only previous National Assembly sat between 1973 and 1975. Its members thought much more of impressing their constituents than of the broad national interest. They failed to pass a single piece of legislation and formed some unholy alliances in the process.

The Assembly members were one quarter left-wing radicals, nearly a quarter Shia religious conservatives, and the rest independents—many of them lacking a good education or firm political principles.

Most of the leading Bahraini families did not field candidates in the Assembly elections. They have explained since that they were too busy with business, and, more interestingly, that they felt that it would be undignified and embarrassing to have attention focused on them during the campaign.

From the time that the Assembly was dissolved by an exasperated Government there has been speculation about when (or if) the Ruler would try another democratic experiment. The speculation has been increased in the last two years by the institution of appointed consultative councils in Qatar and Oman, the re-appointment of a council in the UAE, and the election of a new assembly in Kuwait.

It is not easy to find anyone in the ruling family or outside it who says openly that he is against the establishment of a new elected, or partly elected, assembly. In Bahrain, peopla feel that it is important that they be liberal.

Tha one thought that members of the Government are prepared to say worries them about an election is that it would encourage "outsida interferenca" in Bahraini politics. They mean that Iran would be bound to foment the political passions of its Shia co-religionists on the island.

Those who are of a genuinely liberal persuasion add that some of the people at the top of the Government—notably Shaikh Khalifa bin Sulman—simply do not think that the creation of a new assembly is very important. They, and several of tha technocrat ministers outsida the ruling family, believe that it would only hinder development.

However much private discussion there may be among Bahrainis, in the senior echelons of tha ruling family there is apparently no serious consideration being given to a new assembly at present. Little weight is given to the fact that a large part of the Bahraini population wants an assembly and thinks that it would be beneficial.

It is widely remarked by Bahraini liberals in all sections of society that just as there may be a cost in electing a new assembly there may also be a cost in delaying.

For the moment the Government enjoys the widespread goodwill of its subjects.

Shaikh Isa bin Sulman al Khalifa, the Ruler, is well-loved and respected. He is accessible and very generous. Although he is a man of very few words, who has a somewhat black and white view of the world, he is regarded as being perceptive and as having sound judgment on important issues.

The Ruler's brother, Khalifa bin Sulman, the Prime Minister and main power in the land, is an extremely tough and much more complicated character. Unlike Shaikh Isa he sees many sides to every problem. The Bahraini merchant class rather resent his business dealings, conducted through the Unitag Group; he is virtually the only member of the Al Khalifa with important commercial interests outside real estate. The ordinary people of tha island respect and fear him.

Determination

The leading powers in the Khalifa family, who are Shaikh Isa, Shaikh Khalifa, Hamad bin Isa—the Crown Prince, and Mohammad bin Mubarak—the Foreign Minister, are helped in their determination of the Government's policy by tha fact that Bahraini society is bound together by a national consensus that is rare in tha Middle East.

Bahrainis know that their country has extremely small oil reserves by Gulf standards and that therefore it has to live off its wits. It is obvious from day-to-day conversation that they accept that to make a success of running a service economy — which is what Bahrain is—they must be well educated and must work hard.

Given these realities they seem to acknowledge that the Khalifas' style of Government and their economic policies during the last 20 years have been the right ones.

This survey was written by Michael Field, Stewart Dalby, Mary Frings and Kathy Evans. Editorial production: Mike Smith. Pictures: Terry Kirk

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First steps taken on the road to trade unionism

THIS YEAR labour representatives from major industrial and service companies elected the first officially recognised General Committee for Bahrain Workers. No one is yet calling it a trade union, but in the words of one labour official: "Membership of the Arab Labour Organisation and the ILO will eventually get us there."

More than a dozen international labour conventions, on everything from freedom of association to pay and conditions of work, are awaiting ratification. In this context the move towards labour organisation seems to be e response to external obligations rather than to pressure from the shopfloor. At the moment, members of the Committee seem hardly able to believe their luck, and are certainly not in the mood to push it too far.

Bahrain has e long history of labour activism which at times has spilled over into violent confrontation with the authorities.

In 1973, an industrial dispute at the two-year-old Aluminium Bahrain (ALBA) smelter ended in police intervention, with several arrests and nearly 200 workers losing their jobs. It was one of a series of strikes around the island before the dissolution of the National Assembly in 1975.

At ALBA, what appeared en the surface was the probably legitimate grievance of a group of welders in the workshops but this was not necessarily et the root of the problem. People on the plant at the time say thet PFLOAG, the Aden-backed Popular Front for the Liberation of the Arabian Gulf, had a cell et the smelter and was demanding official recognition for its own candidates to form a trade union.

Recognition was withheld but the welders are said to have refused to settle their grievance through any other channel. Other workers downed tools in sympathy and occupied the casthouse. The situation turned very ugly. Strikers threatened to throw anyone who interfered into the pots of molten aluminium.

At this point armed police were called in and the strikers were ejected by force. In order to keep the smelter in production, the management offered double or even treble wages to non-militant employees who wanted to work and support for the union began to melt away. Many of the militants who lost their jobs were reinstated after a suitable lapse of time.

It was a frightening episode which some people, with hindsight, believe was mishandled from the start. The smelter was undergoing such severe technical teething problems that no one bed paid much attention to labour relations.

A number of lessons were learned. By 1976 there was a new and more comprehensive Labour Law to replace the 1955 Labour Ordinance, which was based on old British colonial practice. There was also a Social Security Law and at ALBA representatives of each department were elected to a Plant Council, which had direct access to the chief executive.

In a series of seminars for employers in the later 1970, the then Minister of Labour, Shaikh Isa bin Mohamad Al Khalifa, may have spelled out the implications of the new law more clearly than the conservative establishment would have liked. His resignation from office came very shortly after the visit to Bahrain in the spring of 1980 of a delegation from the International Federation of Arab Trade Unions, which in the past had refused to recognise any labour organisation in Bahrain, except under the terms of a fully-fledged union lew.

Everyone stoutly denied that the Minister's return to what is now a very flourishing legal practice had any political overtones, and his successor, Shaikh Khalife bin Sulman bin Mohamed Al Khalifa, soldiered determinedly on.

There was not only suspicion from the reactionaries, there was apathy from industry. When the directors of some companies—notably Gulf Air and the Arabian Ship Repair Yard (ASRY)—showed no sign of taking up the option of establishing joint consultative committees between management and labour, the new minister issued an order in July 1981 designating eight companies—the Bahrain Petroleum Company, Alba, Bahrain Telecommunications, Gulf Air, ASRY, Bahrain Airport Services, Bahrain Slipway Company and BP Arabian Agencies—in which joint committees were to be compulsory.

Members of the Bahrain Workers' Committee can hardly believe their luck and are certainly not in the mood to push it too far.

The discovery in December 1981 of an Iranian-inspired plot to overthrow the regime could well have put a damper on further progress, but surprisingly it did not.

Most of the designated companies had had some previous experience of labour organisation, although the system varied. ALBA's was on the British pattern, using direct representation from the shop floor, Bapco's was American-style, with supervisors acting as a channel of communictation between workers and management.

The government-approved system was somewhere in the middle, with five appointed management representatives and five elected workers forming a joint committee to "co-operate in resolving disputes, securing improved social conditions for workers, determining wages, organising social services, increasing productivity and in any other matter of mutual interest to the two parties."

In the case of disputes which cannot be settled by negotiation, the Labour Law provides for mediation by the Ministry of Labour and, in the last resort, recourse to arbitration by the civil courts. The Penal Code, but not the Labour Law, specifically rules out the right to strike.

To qualify as a candidate for election as a worker-representative, an employee must be at least 25 and not have been convicted of any felony, misdemeanour or dishonorable conduct within the previous five years (or whatever lesser period had been prescribed for rehabilitation).

Additionally, be or she should "not have been engaged in any activity prejudicial to the internal or external security of the state, the national unity of the nation or the national interest of the state." The arbiter in this case is the Ministry of the Interior.

This clause would appear to be open to wide interpretation, and could be used to weed out any prospective candidate with the courage of his slightly nonconformist convictions.

Before the elections to tha joint-committees last year, one or two candidates were rejected, but not without good reason, in tha view of impartial labour officials.

One employer said he agreed wholeheartedly with the authorities' judgment. "It was necessary to prevent a minority taking control," he said. Others, however, think that the choice would have been better left to the good sense of the voters.

In any event, elections were held by secret ballot throughout 1982, at carefully staggered intervals, and the turnout in most companies was around 80 per cent.

Since their election, the joint consultative committees have been mainly engaged in drawing up their constitutions for approval by the Ministry of Labour. These documents echo the Labour Law in stressing duties as well as rights, "guided by custom, fairness and seeking the public good, bearing in mind the social and economic position of the company."

One states that candidates for election should "not engage in propaganda in any form" but goes on to assure members that they may "express their views in meetings of the joint committee freely and without fear of adversely affecting their employment or their careers with the company, provided they always act in good faith."

Members are paid overtime for attendance at meetings outside their normal working hours, together with reasonable travelling expenses.

The duties of the joint committee members who are elected to the 11-man General Committee for Bahrain Workers are more onerous, since they may be called upon not only to attend international labour conferences as part of tripartite delegations representing government, employers and labour, but to sit on labour services and welfare committees and on social security and training boards. One member is already complaining that he is missing out on career development courses, another that he has a lot less time for golf.

The General Committee is exclusively Bahraini: in the words of the Minister of Labour, "I could not take an Indian and a Filipino with me to speak for Bahraini labour at the ILO."

The degree of autonomy permitted to the General Committee is not great. Every step it takes must be approved by the Ministry of Labour.

The degree of autonomy permitted to the General Committee is not great. Every step it takes must be approved by the Ministry of Labour. It is barred from any political affiliation and from accepting any outside financial support, unless authorised to do so. The Minister may dissolve it if it "makes any resolution or acts in any way contrary to the internal or external security of the state or which may disturb national unity or the interests of the state."

Every registered club and society in Bahrain is supported by Government funds, but oddly enough the size of the General Committee's budget depends on how many employers are fined by the courts for contravention of the Labour Law; it is to be allocated 25 per cent of the yield from this source.

Members would like to have their own headquarters, to relieve them of the necessity of meeting on Ministry of Labour premises. A degree of financial independence would be helpful, and subscriptions from workers or a subsidy from the social security fund are among the ideas to be discussed with the Ministry. There seems to be no question of the members going back to their constituents for an indication of whether workers would willingly pay a monthly sub.

At the moment, the General Committee for Bahraini Workers is a very pale imitation of a national labour union. One problem is that it represents a minority of the Bahraini workforce, not only because there are other private sector companies besides the designated eight, but because the Government is the biggest employer and the civil service is outside the scope of the Labour Law.

However, the proliferation of safeguards against any kind of political militancy may be necessary. Neither the Government nor the labour movement (in so far as one exists) can afford another failure.

Mary Frings

Kathy Evans on moves to improve education

Instilling the love to learn

OVER THE next eight or nine years, Bahrain's 24,000 primary school pupils will witness fundamental changes in the style of education they receive. Bahrain's Education Minister, Dr Ali Fakhroo wants to put e breath of fresh air into the island'a classrooms.

"Until now, the education in our schools emphasised the ability to memorise by rote. There was little freedom of expression within the class, the text books were narrow and there was little variety or choice either for the student or the teacher," he says. Now, children will learn to develop themselves. "They will learn to love to learn," Dr Fakhroo says.

This reorientation of Bahrain's education system is necessary, he believes, to put back the stimulus into learning. The primary school system was suffering a drop-out rate of 18 to 20 per cent a year and failures were being left by the wayside instead of being tackled. He hopes to get the drop-out rate down to one or two per cent a year, but just in case results are not that rapid, legislation is being drawn up to introduce compulsory education for all children between the years of six and 16.

Transformation

The transformation is going to take some years Dr Fakhroo explains, because the new style teaching methods will be introduced by Bahraini teachers, instead of Egyptians. The higher institutes of education are now producing around 200 teachers a year, so that the numbers of foreign teachers can be reduced.

Recruiting teachers, particularly male staff, is one of the Education Ministry's biggest problems. The traditional respect shown to a teacher or learned man in the Arab world—even the word teacher "ustayz" is used as an honorary title for anyone worthy of respect—is rapidly being replaced by respect for money and success in business. "Tha teacher here has lost a lot of prestige lately and this is a reflection of what is happening all over tha world," says Dr Fakhroo.

In order to recreate the prestige the Education Minister is hoping to make the career of teaching an attractive one financially, and stimulating on an intellectual basis. The Ministry is therefore moving to decentralize decision-making, involve teaching staff more in deciding the curricula and provide periodic refresher courses so that a teacher's education does not come to a full stop with graduation.

All these measures in the early stages of education are vital if higher education is to have any value. "You can't have e good university without having an equally good primary system," declares Dr Fakhroo.

A good educational structure is vital to Bahrain, for without e skilled labour force the island cannot function as a service and industrial centre. "We only have human beings in Bahrain. We don't have much oil or much cash, so if we don't build our human structure, we have nothing." In recognition of this paucity of financial assets the six Gulf Cooperation Council states and Iraq have decided to locate the Gulf University on the island.

The Arabian Gulf University will be designed as a post-graduate university specialising in the sciences, offering research facilities and promoting a standard of excellence not yet seen in the area. The Gulf region has 17 universities, but academic standards vary. The Bahrain institution will, in contrast, attempt to operate as a kind of Think Tank on the region's problems and needed technology.

Among the courses being offered are desert sciences, marine biology, and medicine. The university will have 5,000 students, 70 per cent of them doing post-graduate studies.

The exact style of the university has yet to be decided by the Arabian education ministers, though a number of conservative states are known to be concerned that the campus and its students should live and study in accordance with Islamic ideas.

Segregation

The ministers have already decided that the university should segregate men and women students in the classroom and library. Such policies contrast sharply with style of Bahrain's existing higher education institutions, such as the Gulf Polytechnic, which is co-educational.

Both tha public and the private sectors are thirsting for the students and graduates who emerge from the school system, the technical college and the university.

A recent study by the Ministry of Labour and Social Affairs showed that 75 per cent of the new jobs created in the boom of the last few years have been filled by foreigners.

Bahrainis are now only 41.5 per cent of the total labour force in Bahrain and, unless restrictions are placed on immigration and development overall, the figure will go down further.

This dilemma is as well appreciated by members of the Bahraini government as by members of governments elsewhere in the Gulf. Already the cabinet is debating economic growth rates suitable for the island. Some ministers are arguing for e 6 per cent growth, while others are pushing for between three and 5 per cent so that the ratio of local to foreign workers can be kept at manageable levels.

Opinion is now veering towards the low side, for Labour Ministry officials have warned that there will be no improvement in the ratio unless a slower rate of growth is decided upon. With a 3 per cent growth in the economy, the percentage of Bahrainis goes up from its present 41.5 per cent to 53 per cent.

Natural population growth and the predominance of young people in the population will fill a minimum of 4,000 new jobs a year. Bahraini male employment is expected to rise from 49,300 in 1981 to about 79,000 in 1991.

Predicting the future employment of Bahraini women is a little more difficult. In 1971 over 4 per cent of all women were in the labour force, but 10 years later this figure had more than tripled. In the age range of 20 to 24 over 29 per cent of Bahraini women are already working.

At the moment the shortage of skilled manpower has placed a premium on Bahraini employees, and most private sector firms spend a lot of time pursuing suitable candidates.

Meanwhile the influx of foreign workers continues. Last year Bahrain imported over 33,000 foreign labourers, just marginally above 1981's figures and way up on the 18,665 brought in in 1979. Out of the 33,000 imported last year, over 20,000 were Indians, followed by Asians such as Thais and Koreans.

Kathy Evans

Shia relations with Sunnis uneasy but stable

EIGHTEEN MONTHS ago, in December 1981, a group of Bahraini youths was discovered to have hatched a plot to assassinate their ruler, Shaikh Isa, and stage a *coup* d' *etat*.

The conspirators were Bahraini Shias, members of the schismatic and mystical branch of Islam that is associated in most of the Muslim world with the poor and down-trodden. They were assisted by a few other Arabian Shias, including some Saudis and Omanis. They had been trained and armed by the Tehran-sponsored Islamic Front for the Liberation of Bahrain and had been sent to the island from Iran.

In Bahrain they were able to use safe houses, but they received little active support from the resident Shia community.

The youths were arrested, it is believed, after a tip-off from the Dubai police, who had noticed that some of their number en route from Iran had forged entry stamps in their passports. A trial in e more or less closed court was beld in the orthodox Sunni Muslim village of Jau in the sparsely inhabited south-east of the island.

None of the 72 who were convicted was executed. Two were given life sentences and the rest shorter prison terms.

The plot was serious by any standards, but it was made particularly worrying for the regime by the fect that in contrast to all the other Arabian oil states Bahrain has a Shia majority.

The Government ensures, when it bolds a census, that it makes no classification of its people by religion, but unofficially the Shia component among Bahraini nationals is thought to be about 60 per cent. The Shia population is multiplying faster than the Sunnis. This is causing the ruling Khalife family to offer free bousing to some of the mainland tribes to encourage them to settle in Bahrain.

Confusion

There is no infallible way of telling which of the Bahrainis are Shia and which Sunni. Many of the Shias wear their *ghotras*, their bead-dresses, bound around their beads in loose turbans. This shape is associated with the turbans worn by Shia divines. To confuse matters, however, there are as many Shias who wear Western dress or the conventional Arabian *ghotra* and *agal* (black head band) arrangement, and e few of the Sunnis seem to have adopted the turban head-dress style.

A better way to guess a person's religion in Bahrain is to discover in whieh village or in whleb part of Manama be lives. The main areas of Shia settlement ere the villages of the north coast of the island, ineluding Sanabis and Barbar (but excluding Budiya), Sitra Island in the north-east, and Ali in the north eentre.

In Manama itself the An Naim quarter in the west of the town and the large eentral, inland aree between the "gold street" and the police fort are Shia.

The more or less equal Sunni-Shia divide bas not always been e feature of the Bahraini population. It has emerged gradually sinee the Al-Khalife conquered the island in the late 18th century.

When the leaders of the Khalife family evicted the Persian governor of Bahrain exactly 200 years ago it seems thet the population of the island was composed almost entirely of Shias, known as Baharna. It is a striking fact that today it seems to be impossible to find any Sunni family in Bahrain that claims to have been on the island before the Al-Khalifa.

The Khalifas arrived with e number of tribal allies. These included the ancestors of the present large families of Jalahima and Manai, who are originally from northern Arabia, Dossari, whieb is part of the Dewasir tribe of sonth-central Arabia, and Naim, from the Qatar peninsula.

In modern Bahraini society these families form wbat is known as the tribal element. They are not in any sense equel to the Khalifas—they are as mueh retainers as friends—but the Khalifas do sometimes take brides from their ranks.

Much of the land beld by these families has come ultimately from the Shia population. Shia land was lost through a practice of confiscation when taxes were not paid, or through outright seizure.

This process, and the fact thet the Khalifas had originally to fight for their island, made the foundation of the Bahraini state very different from the foundation of the other Gulf states. The ruling families of Kuwait, Qatar, Abu Dhabi and Dubai were either chosen as the leaders of their committies or established more or less new settlements. The Khalifas imposed their rule on an island that was already inhabited.

The division between Sunnis and Shias on the island and the presence of e number of other distinct communities has made Behrain a turbulent society by the normal standards of the Gulf.

It is important that this should be understood by foreign investors assessing the island as e political risk. The reason is not that the investors ought to avoid committing themselves to the island—there is no special cause for thinking that the present regime is insecure—but that they should not be frightened, as some of them have been recently, by demonstrations, minor riots and plots. The disturbances of the last few years are nothing new.

In the early decades of this century violence between Sunnis and Shias was endemic.

Importance

In the 1930s there began a long period of harmony in community relations—partly because the British had stopped the seizure of Shia land by the Sunnis.

Westerners and the more technocratic Bahrainis assumed bappily that community was e dying concept on the islend, though one well informed Westerner remarked recently that be realised in retrospeet thet they cannot have been looking sufficiently closely at Bahraini society. Not enough importance was attached to the fact that in the elections of 1973 for Bahrain's short-lived national assembly most of the vote split on community lines.

The division between Sunnis and Shias re-emerged clearly in 1979, wben Ayatollah Khomeini came to power in Iran, which is e predominantly Shia country.

Since the Iranian revolution the Shias of Bahrain have looked to Khomeini as their Imam, their leader. The Ayatollah is regarded primarily as a religious figure. Unlike the Sunnis, who emphasise the direct personal relationship between every man and God, the Shias have always looked for holy men to lead them and have vested their leaders with spiritual authority.

To some extent the Bahraini Shias also look to Khomeini as a political leader.

From the time he came to power Khomeini urged the people of Arabia—and particularly the Shias of Bahrain and the Saudi Eastern Province—to rise up and overthrow their rulers. In the summer of 1979 one of his speeches triggered riots over several days in the Western part of Manama.

A little later there were further disturbances during the emotional month of Moharram, wben the Shias commemorate their early martyrs by staging religious plays and processions, with hack flagellants and chest beaters.

There was more fermeot when a Shia youth died in police eustody. His corpse was spirited eway from the morgue, paraded through part of the town and displayed in a mutilated state to spectators at a Shia cemetary. There was some question as to whether the wounds bed been incurred before or after death.

In December 1981, a year after these disturbances there occurred the infamous coup d'etat plot.

If Bahrainis have been made muca more eoncious of the Sunni-Shia than they were five years ago, it cannot be said that relations between the two communitias are bad at present.

There are close Sunni-Shia friendships and business partnerships, and the leading Shia families—including Arrayedh, Alawi and Mudaifa—have good relations with many of the senior members of the Al Khalifa. The Ruler, Shaikh Isa bin Sulman, and bis brother, the Prime Minister, Shaikh Khalifa, have often attended weddings and funerals of important Shia families.

The Khalifa family's view of the Shias as e whole is less friendly; as devout Sunnis they cannot but regard the Shias as heretics.

In a few cases there have been Sunni-Shia marriages—but invariably these unions have involved Sunni families known for their emancipated views. Yusuf Shirawi, the Minister of Development and Industry, and Ali Fakhroo, the new Minister of Education, have both married Shias. The brother of Jassim Murad, who was one of the most outspoken deputies in the 1973-75 Assembly, is ebout to marry e Shia.

The Bahraini Government is the only regime in Arabia to tolerate the Shias' gaudy and emotional Moharram processions. Before the Iranian revolution caused governments to monitor the movements of the Shia populations more carefully large numbers of Saudi Shias from the oases of Qatif and Hasa used to cross to Bahrain during Moharram to participate in the rituals.

In the Bahrain Government at present there are five Shia ministers: Jewad Arrayedh, the Minister of Health; Husain Baharna, the Minister of State for Legal Affairs; Habib Qassim, the Minister of Commerce and Agriculture; Majid Jishi, the Minister of Works, Power and Water; and Ibrahim Humaidan, the Minister of Transport and Communications.

The Shias, bowever, say that the Sunnis favour their own people instinctively when they are allocating jobs. There is no question that Shias tend to congregate in ministries and corporations that are headed by fellow Shias or by people sympathetie to them. Notable examples of such institutions at present ere the Ministry of Health and the Bahrain Telecommunications Company.

The Khalifa family's success in running Bahrain's development and giving all of its subjects reasonable prosperity has done much to take the edge off Shia bitterness.

"I am impressed by the people at the top of the government," a young Shia declared recently. He then edded: "It is the system, the people around Shaikh Isa, Shaikh Khalifa and Shaikh Hamad bin Ise (*the Crown Prince*) who make life difficult for us."

Michael Field

Bahraini society is composed of eight or nine separate communities. The island also has a large population of short-term expatriate residents. Here the different peoples come together in the Manama souk.

An island of mixed communities

BAHRAIN IS a polyglot state, both religiously and racially. Leaving aside the temporary immigrants of the past 10 years, there are at least eight or nine distinct communities on the island.

They inelude the numerous members of the ruling Khalifa family, the Arabian tribes, which arrived with the Khalifas, and the Shias. These communities, which were all present on the island at the beginning of the last century, are described in the article on the Shias in this survey.

In the years after the Khalifas' arrival in the late eighteenth century numerous other settlers came to Bahrain. Many of these were hawala, Sunni (orthodox Muslim) Arabs who were originally from Arabia and who had settled in large numbers on the Iranian coast. Modern Bahrainis of hawala origin are the well known trading families of Kanoo and Almoayed, which share common ancestors, and the Fakhroos, who have members in trade and government.

A few other settlers came directly from Arabia—notable examples being the families of Zayani, Mattar, Mussalam—now a long established family on Hid Island, and Bin Hindi—a Muharraq Island family which used to be famous for pearl trading. The Zayanis, who like the others are of Nejdi (central Arabian) blood, came from a village near the Red Sea coast. They now own one of the biggest Bahraini merehant bouses, well known for the Rolls-Royce agency.

There used to be a much bigger number of Nejdis in Bahrain—thongb most of them had not lived on the islands for as long as the Zayanis or Mussalams. They inclnded such names as Zamil and Algosaibi, which are now famous in Sandi Arabia. They made np a distinct community of traders, importing goods through Bahrain for sale on the mainland. Most members of the Nejdi families returned to the mainland in the 1950s, wben Sandi Arabia began to develop as an oil state.

Prosperous

In the 19th century there gradually developed a significant Persian community in Bahrain, with both Sunni and Shia members. The Sunnis, who were mostly from the eastern Zagros mountains around Kerman, included the ancestors of the present families of Bastaki, Awadi, Mustapha Abdlatif, Khurnji and Ishak — one of whose members is a major shareholder in the Hilton Hotel.

The Shias, mostly from the south-west of Iran, included the Kazeroonis, the Alirezas, whom it is assumed were once Shia although they are now undonbtedly Sunni, and the Dawanis, wbo own the Al Jazira Cold Store, the biggest establishment of its type in Bahrain.

Some of the Persians are now prosperous merchants and landowners, others continne in more menial jobs, sueh as baking and labouring, which are regarded as being traditionally Persian.

The long-standing Persian immigrants bave Bahraini passports and are regarded as Bahrainis, even though many of them still speak Farsi at home.

In the lower echelons of society the Bahraini Persians mix with the numerons short-term Persian immigrants—also labourers and bakers in most cases—who travel qnite regularly between Arabia and Iran.

At abont the same time as the Persians came to Bahrain an Indian community began to appear on the island. These people were merchants who had dealt with the Bahraini pearl traders in Bombay and were drawn to the island by the prospect of buying pearls locally or importing food or other basic supplies to sell to the pearling dhows.

Further Indians were brought in to work as clerks and minor officials when the Bahrain Government began to be modernised by Sir Charles Belgrave in the 1930s and 1940s.

The Indians have been made weleome in Bahrain—they bave their own temples and burning grounds for their dead. Indians living in less tolerant Arabian states come to Bahrain to be married.

Well known

The Indians do not mix with the other commnnities and are not regarded quite as being Bahrainis. Only the earlier Indian arrivals carry Bahraini passports.

The smallest and least conspicuous of the Bahraini commnnities are the Jews, wbose ancestors may have been established on the island for eenturies.

Before 1948 the Jewish comnnity was qnite significant in numbers but it is now reduced to a mere handfnl of families. Its best-known members are Daoud and Azra Noonoo: Daond runs the family money exchanging business, the Bahrain Financing Company, and Azra is the general manager of the publicly-owned cinema company. In keeping with the Bahraini tradition of tolerance the Jews are allowed their own synagogue and cemetery.

M. F.

NATIONAL BANK OF BAHRAIN

P.O. Box No 106 Manama, Bahrain Tel:258800 Telex 8242 NATBNK BN

Statement of Condition at 31st December 1982

	1982 BD MM	1982 US $ MM	1981 BD MM	1981 US $ MM
ASSETS				
Cash and Due from Banks	18.90	50.40	16.76	44.63
Reserve Deposited with Bahrain Monetary Agency	5.32	14.19	5.56	14.81
Time Deposits - Banks	210.21	560.56	176.66	470.47
Loans, Advances and Overdrafts	179.99	479.92	158.24	421.41
Other Assets	9.64	25.71	10.22	27.22
	424.06	1130.83	367.44	978.54
Investments	15.35	40.93	17.43	46.42
Fixed Assets	5.05	13.47	5.21	13.87
Total Assets	444.46	1185.23	390.08	1038.83
Contra Accounts	189.98	506.61	61.40	163.52
Total Footings	634.44	1691.84	451.48	1202.35
LIABILITIES				
Current, Saving and Other Demand Accounts	76.67	204.45	67.60	180.03
Due to Banks on Current Account	8.47	22.59	7.75	20.64
Time Deposits — Banks	91.89	245.04	98.89	263.36
— Non - Banks	199.38	531.68	164.85	439.01
Directors' Remuneration (Subject to Shareholders' Approval)	0.06	0.16	0.06	0.16
Dividend Proposed (Subject to Shareholders' Approval)	4.20	11.20	1.40	3.73
Other liabilities	11.25	30.00	12.50	33.28
TOTAL LIABILITIES	391.92	1045.12	353.05	940.21
SHAREHOLDERS' EQUITY				
Share Capital	21.00	56.00	14.00	37.28
Reserves	31.54	84.11	23.03	61.34
TOTAL SHAREHOLDERS' EQUITY	52.54	140.11	37.03	98.62
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	444.46	1185.23	390.08	1038.83
CONTRA ACCOUNTS	189.98	506.61	61.40	163.52
TOTAL FOOTINGS	634.44	1691.84	451.48	1202.35

Statement of Income, Expense and Appropriations for the year ended 31st December 1982

	NOTE	1982 BD MM	1982 US $ MM	1981 BD MM	1981 US $ MM
INCOME					
Interest Earned		56.55	150.80	47.27	125.89
Less: Interest Expense		41.45	110.53	37.34	99.45
Net Interest Income		15.10	40.27	9.93	26.44
Other Income		4.20	11.20	2.56	6.82
TOTAL INCOME		19.30	51.47	12.49	33.26
EXPENSE					
Staff Expense		3.53	9.41	2.56	6.82
Other Items		4.36	11.63	3.11	8.28
TOTAL EXPENSE		7.89	21.04	5.67	15.10
Net Income Before Exceptional Income		11.41	30.43	6.82	18.16
Exceptional Income		8.93	23.81	—	—
NET INCOME AFTER EXCEPTIONAL INCOME		20.34	54.24	6.82	18.16

Outlook bright despite the oil slick threat

IN BAHRAIN just now talk about the oil slick somewhere in the Gulf seems to dominate all conversations about the economy. Although no one appears actually to know very much about it, dire scenarios are outlined about the effects that this slick—which could be 100 miles long, or 25 miles long and three feet deep or three inches deep—could have. It could destroy the fishing industry to begin with, it could pose enormous hazards to shipping.

It could, if some of the oil got into desalination plants or aquifiers ruin the water supplies of Bahrain and cost a great deal of money. Yet, so far, the oil slick has not struck.

Without pushing the metaphor too far, the problems hovering over the island's economy are little like the oil slick. If oil prices drop, if Saudi Arabia, in particular, does not pump enough oil for Bahrain's refinery, if Saudi Arabia and other main oil producers in the Gulf slash their spending programmes, and if the world price for aluminium does not pick up, then Bahrain could be in for a period of deflation and tough restraint.

Ticking over

Yet, five months into 1983, the economy appears to still be ticking over nicely enough and the dangers remain potential rather than actual. The economy is growing at between 4 and 5 per cent compared with an 8 per cent growth in GNP in real terms last year. Inflation *is certainly* in *double* figures (although because of the strange mix of foodstuffs, largely imported and partly controlled, and of consumer goods in the CPI basket it is difficult to pin down an exact figure). But none of the major infrastructural and diversion projects, like the $450m causeway link to Saudi Arabia, the petrochemical plant and the iron steel works have had to be postponed, or abandoned.

Unlike some other Gulf economies Bahrain has never been a major oil producer and has never accumulated huge reserves. Once it was a trade entrepot, and now, using its modest oil and gas, it has diversified into some industry, and tried to become a services entrepot. Oil and hydrocarbons account for roughly one third of GDP. Manufacturing and industry, if one includes the aluminium smelter, and the refinery, around another third, and services the remaining third or so. Services do not mean an inflated government bureaucracy alone, but also include financial services. The offshore banking industry, for example, probably accounts for 2 per cent of the workforce, given the stringent conditions about employing Bahrainis, and financial services altogether probably account for some 10 per cent of GDP.

However, oil and hydrocarbons do account for over 80 per cent of exports (although the trade picture is complicated because oil for the refinery accounts for just over half of imports). Oil and gas account for three quarters of government income, and government expenditure is responsible for two-thirds of *Bahrain's GDP*. The gap in government revenues left after oil income is filled by customs and excises duties, and grants and loans from Arab neighbours. Saudi Arabia, Kuwait and the UAE between them, last year contributed BD 62M ($147m) to the Bahrain budget in grants and loans. Usually the budget balances and it is not unknown for there to be surpluses.

Bahrain emerged from 1982 with its books looking in good enough order. Total exports were BD 1.3bn ($3.4bn) while total imports at BD 1.2bn were just slightly lower. This was a deterioration over 1981, but a respectable enough performance, given that the aluminium smelter made a loss of $22m despite higher output.

The Government's budget seems to have been underspent. Budgeted expenditures and revenues were put at BD 560m of which BD 262m was classified as development expenditure. However, only BD 175m was actually disbursed. Final figures for recurrent expenditure had not come through at the time of writing, but there were hopes that this too might be underspent.

This could be just as well, since for 1983, Bahrain could have a deficit. Preliminary figures for 1983 budgeting are that the Government will spend BD 646m while gaining in revenues, hopefully BD 645m.

As Mr Habib Ahmed Kassem, the Minister of Commerce and Agriculture, puts it "this year we could see a deficit, but you must remember that these figures are only estimates. Besides we were underspent on our capital budget last year and so there will be a carry-over of *some kind*. We should end up more or less square."

On the revenue side, as far as the Government budget is concerned, the main uncertainty is income from the Abu Safa field.

Bahrain's own oil is running out. Its field is producing at the rate of 43,000 barrels per day, but this will diminish at between some 3 per cent and 5 per cent a year and in 20 years reserves will be *exhausted*. Hopes of finding new fields are not high because the search has already been extensive. However, Bahrain also gets income from a 50 per cent interest in the Abu Safa field which Saudi Arabia controls and runs. Bahrain has little say in output and receives a monthly check.

Marginal rise

In 1982 its oil revenues broke down as follows: net crude revenues BD 396m (of which Abu Safa contributed BD 227m), natural gas revenues BD 8m, and oil tax BD 12m, giving a total of BD 416.5m.

In 1983 net crude revenues are put at BD 476m, of which BD 322m should come from Abu Safa. Natural gas revenues are scheduled to rise marginally to BD 9m and oil taxes are estimated to remain the same at BD 12.7m.

In other words, while Bahrain's own oil income is scheduled to drop it is an anticipated one-third increase income from the Abu Safa field which should provide the 17 per cent rise in overall oil revenues to BD 498m.

Oil revenues amount to 77 per cent of total income. The government recently imposed steep rising in excise duties on fuel and alcohol, but these will not make much difference to overall government income.

There must be something of a question-mark over the Abu Safa income, since Saudi Arabia has reduced its overall production considerably. The feeling in Bahrain is that the Saudis will want to keep production up at Abu Safa if possible, but there are no guarantees.

Similar doubts linger over the refinery. This has a capacity of 250,000 barrels per day. Although the refinery can break even at slightly below 100,0000 per day, it has been doing rather better than this recently, with levels of 175,000 barrels per day being seen. Since most of the oil for refining and re-export is supplied by, or bought from, the Saudis there must be doubts about the level of supplies.

For the moment, *however*, both as far as Abu Safa is concerned, and the refinery, everything seems set fair. As a recourse, there is the carry over from last year's budget. This almost certainly means that any deflation this year, or postponed of major infrastructure projects will not be too severe.

These budget figures (1982 and 1983) are, in any event, part of the four-year 1982-85 development plan. This calls for expenditure over the period of BD 1.4bn. Around two-thirds of this is scheduled to come from the budget. The $450m to be spent on the causeway is due to come totally from the Saudis. One-third should be spent on water and power projects.

Because the expenditure and revenue estimates are spread over four years there is a great deal of manoeuvre for what a senior advisor to the ministry of finance, calls "stretching."

"We have a four-year plan at the moment, but that could easily become a six year. I do not see any of the major projects being jeopardised by the oil situation. The schools and roads programme, and things like that might suffer, but none of the big stuff," said the senior adviser.

Slower gear

In short, Bahrain is going into a slower gear this year without yet shedding any baggage or commitments. In practical terms the construction industry might go into a lull, but this may be no bad thing in that rents which can reach something like $4,000 a month for a modest villa could level off, *and there will be a halt in hotel* building. In the deflation of 1978-79 it was hotels which suffered with one or two having to be bailed out by the government. Bahrain has, in any event probably, more hotels than it needs.

Business for Bahrain's active 72 offshore banking units will also probably slow down this year and there could possibly be some departures. This is not only *because of the situation in* Saudi Arabia, with its lower expenditure, but also because of the world debt situation.

In the longer term the outlook is bright despite the dwindling oil. The diversification should continue. Other important projects like the setting up of the Gulf University, and an increase in defence expenditure with the possible help of the Gulf Cooperation Council *should ensure that the economy* stays buoyant.

Mary Frings

How the island's energy sector is organised

FOR 45 years after oil was discovered in Bahrain in 1932, the Bahrain Petroleum Company (Bapco) was Al Sherika—The Company. It was never necessary to say which company. Bapco held the exploration rights for the onshore and most of the offshore concession; it produced, refined and marketed Bahrain's oil; it provided a wide range of services; and it was the only major employer of local labour. A surprising number of today's young technocrats, not only in industry but in *government*, banking and the professions, graduated from its apprenticeship scheme.

The Bahrain Petroleum Company Limited, a 100 per cent Caltex subsidiary, came to an end in 1981, with the formation of the Bahrain Petroleum Company B.S.C. (Closed) as a Government - Caltex joint-venture.

This company is still known as Bapco but its activities are confined to refining oil for its *shareholders and maintaining* facilities for its 4,200 employees. Half a dozen other companies are now part of the oil industry, guided by the Supreme Oil Council under the chairmanship of the Prime Minister.

One of these is the Bahrain National Oil Company (Banoco), which was established in 1976 as a wholly-owned government company, and gradually *increased its role from local* marketing to full management of the oilfield. The state acquired full ownership of its oil production facilities in December 1979.

The Petroleum Marketing Unit, a separate entity handling international marketing of government oil products and reporting directly to the Ministry of Development, was merged with Banoco a few weeks ago, and the airport fuelling facility will be taken over from BP and Caltex by the end of the year—although some accommodation may be made for certain products. International jet fuel sales currently amount to over 10,000 b/d.

Production from Banoco's only oil field is declining by 5-6 per cent a year from a 1971 peak of 75,000 b/d, and will only be extended beyond the end of the century by enhanced recovery methods or the discovery of new resources. The average oil extraction rate for 1983 is put at no more than 42,500 b/d — a drop *in* a bucket by Gulf standards.

Fortunately Bahrain's reserves of natural (non-associated) gas from the Khuff zone, lying at between 8,500 and 10,500 ft, will not be so quickly depleted. The zone was tapped commercially only 12 years ago to provide energy for aluminium smelting, and is now being developed to fuel new industries and provide feedstock for petrochemicals. Dry Khuff gas is also used for gas injection to the oil reservoir and fuel for the refinery and gas turbine power stations, to conserve the richer product from the shallow Arab zone.

Suspicious

Banoco has drilled two new development wells into the Khuff gas zone and is completing a third. But it has also invested $4m in a deep seismic survey aimed at delineating a possible hydrocarbon trap *below the Khuff interval*. Geologists have long suspected the existence of such a formation, but the last attempt at exploratory drilling (in 1978-79) ended without result at 16,000 ft.

The data obtained from the "vibroseis" survey, completed last month by a French contractor using special vibration vehicles to send seismic shockwaves to below 20,000 ft, is now being processed in France. Although some preliminary results may be available by August, detailed interpretation will take until the end of the year. Drilling provides the only conclusive proof of an oil and gas-bearing structure, but if the seismic indications are negative at least Banoco could be saved $30m or so on a deeper-than-ever dry hole.

Offshore, results are still awaited from a $15m Western Geophysical survey which covered almost the whole of the marine concession area except the 2,000 sq km still (fruitlessly) held by a consortium of U.S. exploration companies, led by Union Texas. Cautiously, Mr Shirawi says the picture is "a little less gloomy" than before, but he has never pinned his hopes on more than a few pockets of oil which might have been missed by earlier test wells.

In addition to his functions as chairman of Bapco, the Supreme Oil Council has entrusted the Development Minister with the responsibilities of Chairman and Managing Director of Banoco, which like the National Gas Company was left headless by the departure of Hassan Fakhro, following a serious personality clash.

This arrangement is not expected to last much more than a year, but meanwhile one can have some sympathy with the two companies' Vice-Chairman who have been propelled into a management and administrative role. Both are senior civil servants, who will not be allowed to make the policy decisions (since that is the prerogative of the Supreme Oil Council) and do not have the industrial background to make the operational ones.

The Bahrain National Gas Company (Banagas), in which Caltex and the pan-Arab owned Arab Petroleum Investment Corporation each have a 12½ per cent equity stake, was established in 1979 to produce nautral gas liquids from the 120m standard cu ft a day of associated gas which was previously vented. The lique-

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STRUCTURE OF THE OIL INDUSTRY

Supreme Oil Council
Chairman: The Prime Minister
Members: Ministers of Foreign Affairs, Development and Industry, Finance and National Economy, Works Power and Water. Labour and Social Affairs

Ministry of Development and Industry
Co-ordination of company activities

Bahrain National Oil Company (Banoco)
Established 1976
100% Bahrain Government
Oil exploration and production, local and international marketing (to include aviation fuel from end 1983)

Bahrain Petroleum Company BSC Closed (Bapco)
Established 1981
60% Bahrain Government. 40% Caltex Corpn.
Oil refining

Bahrain National Gas Company (Banagas)
Established 1979
75% Bahrain Government. 12½% Caltex. 12½% Apicorp-Arab Petroleum Investment Corpn.
Gas liquefaction—propane, butane and naphtha, i.e., NGLs

Caltex Bahrain
Established 1981
100% Caltex Corpn.
Operates Caltex stake in refinery, provides manpower and technical services to Banoco and Bapco, markets Caltex products

Heavy Oil Conversion Company (HOCC)
Not operating—see new industries article

Gulf Petrochemical Industries Company (GPIC)
Not operating—see new industries article

Mary Frings examines developments in the oil industry

Refinery plans aim to look beyond pricing crisis

PUBLIC ANXIETY over the state of the oil market caused a slide in local share prices earlier this year. The rush to turn stocks into cash had nothing to do with the Bahraini companies' performance, since the publicly-quoted banks and insurance companies reported better-than-ever results and paid handsome dividends, while the need of tha few investors to meet post-dated cheque commitments incurred on Kuwait's Souq Al-Manakh is not thought to have had more than a marginal impact.

There was clearly a crisis of confidence in the oil-fuelled economy, as the Opec price debate dragged on and the international press speculated on a $25 barrel. People worried particularly over future revenues from tha offshore Abu Safa oilfield, which is shared with Saudi Arabia and which for past four years bas been worth more to Bahrain than its own dwindling oil resources.

To add to the apprehension, the temporary closure of the Arabia-Bahrain pipeline left the Bahrain Petroleum Company's (Bapco's) 250,000 barrels a day (b/d) refinery operating at only 20 per cent of capacity and raised the spectre of a total shutdown, with 3,400 Bahraini refinery employees out of work.

At the Middle East Oil Show in March, visiting oilmen were openly discussing a Caltex pull-out from the joint-venture refining company, since there could be no profit in paying 40 per cent of the overheads while running no crude.

The Bahrain Government, which since July 1980 bas been a 60 per cent shareholder in the refinery, was then processing only the 43,000 b/d available from the Bahrain field. In the depressed state of the petroleum products market, Saudi crude was too expensive and there were strong political arguments against buying cheaper alternatives, although Caltex flirted with the idea of seeking supplies from Egypt and Oman.

Reassurance

Government officials were quick to offer reassurance. The Arabia-Bahrain pipeline was reopened for two or three days (which gave rise to speculation about concessionary prices in advance of the OPEC reductions), and the Prime Minister went to Riyadh for talks with King Fahd.

He returned with a pledge that production from Abu Safa would be protected, even though Saudi production as a whole had fallen below one-third of capacity. This means that Bahrain can count on at least 50,000 b/d, perhaps as much as 65,000 b/d given peak production, although the valua per barrel will have dropped by 15 per cent in line with official prices.

The medium grade Abu Safa crude is not as commercially attractive as Arabian Light, so from an economic point of view it would have been logical to cut production but maintain payments to Bahrain on an ex gratia basis. But this is not the way it is done. The arrangement over Abu Safa is based on historical rights, although today few Bahrainis even in the oil industry are aware of the background to it.

In the absence until 25 years ago of clearly defined territorial boundaries, the rulers of Bahrain traditionally claimed sovereignty over a disputed shallow water area known as Fasht Abu Safa, some 40 miles from their northern coastline. In 1941 Shaikh Hamed bin Isa granted the Bahrain Petroleum Company (Bapco) exploration rights there, but work was held up until the end of the war—and then suspended in response to Saudi objections, pending settlement of the sovereignty issue.

Demarcation

Negotiations in 1954 resulted in Saudi acceptance in principle of a Bahraini proposal to divide Fasht Abu Safa, but at a subsequent conference in Dammam differences arose over the demarcation line. Dr Husain Al Baharna, in his authoritative legal history of the Gulf states, notes that thereafter "the idea of sharing in any oil without attempting to make a geographical division seemed to appeal to both governments."

In 1958, the then Ruler of Bahrain, Shaikh Salman bin Hamed, met King Saud bin Abdulaziz and agreed to relinquish his claim to Fasht Abu Safa in return for an undertaking "to grant Bahrain one-half of net oil revenue accruing to tha Saudi Government from the Abu Safa area, which now lies exclusively within the Saudi Government's jurisdiction."

When oil was discovered in commercial quantities in 1965, Aramco as operating company was still entitled to 50 per cent of production under the terms of its concession, so Bahrain initially benefited from only a quarter share—but this was increased by decree of King Faisal, in a gesture of goodwill which has set the pattern of relations between the two countries ever since.

There is no question of Bahrain's share of oil from Abu Safa feeding the refinery, since the transaction is purely financial. The Saudi crude which is pumped through the Arabia-Bahrain pipeline is purchased commercially by the shareholders in Bapco according to their market requirements. Nor is Bapco refining crude on behalf of Saudi Arabia, as a result of the understanding reached a few weeks ago with King Fahd. This is an attractive concept which would utilise spare capacity and reduce unit costs, but it remains a possibility for future discussion.

However, Caltex is trying out a similar formula with a 60-day contract starting this month, to process incrementally 20,000 b/d of Bombay High crude on behalf of the Indian Government.

Bapco ran some Iranian crude in the 1960s, but the waxy, light (39 API) Bombay High presents some new processing challenges. Opinion is divided on the wisdom of processing crude cheaply for a competitor, for the sake of alleviating a temporary cost crisis; on the other hand there are plenty of other distressed refineries which would do the job, if Bapco declined it.

The record crude runs of 1981, averaging 259,000 b/d, dropped to 197,000 b/d in 1982 as it became increasingly difficult to sell petroleum products at economic prices. The new year started on a high note with throughput of 211,000 b/d in January, but February saw a disastrous 66,000 b/d average and March was only up to 87,000 b/d.

At these levels the first quarter trading position was almost certainly in tha red, although April has shown a marked improvement with Caltex running 80,000 b/d of Saudi crude at peak and the Government 60,000 b/d, in addition to the Bahrain crude.

What is needed now is a period of price stability to enable the shareholders to take a long-term view of the refinery's viability. Mr Yousuf Shirawi, the Chairman of Bapco and Bahrain's Minister for Development and Industry, commented in March: "At the moment we have a crisis, and in a crisis I do not take decisions. Let the crisis become a problem and then we will try to solve it." He is more in favour of a sound five-year strategy than of short-term solutions.

Refinery capacity around the Gulf will more than double over the next five years, unless there are serious cutbacks. According to the Opec bulletin, installed capacity among the six Gulf Co-operation Council states currently totals 1.8m b/d, much of it serving domestic needs.

Another 1.9m b/d now being installed or planned will produce much bigger volumes for export, and these products will be sold in the markets traditionally served by Bahrain.

Meanwhile regional states are becoming self-sufficient; in tha UAE, for example, there is no longer a market for Bapco's fuel oil since the opening of the Ruwais refinery and the development of gas resources to fuel power stations and desalination plants.

Mr Shirawi does not regard these developments as competitive. "There is a demand for 7m-8m barrels a day of GCC crude. The philosophy behind the expansion of refinery capacity in this area is to help the economy and 'push the barrel.' We will not have any difficulty in marketing our share."

In the region as a whole, he argues that "the price of oil in the last decada made us too comfortable. Now we are part of the real world, we have to strive, to assess, to cut our expenses—and that is very healthy. Where production costs per barrel are among the lowest in the world, any dollar after $24—which must be the world's highest production cost—is a bonanza for us."

Caltex is no doubt making its own assessments, and has been forced to recognise that, at the political and economic bargaining table, Mr Shirawi is as formidable an opponent as he is across a chessboard. The partnership deal is always negotiable, and Caltex will probably stay in Bapco as long as it is not asked to give away too much.

To assist in devising a viable long-term strategy, Bapco has commissioned a study team to scrutinise every aspect of the refinery operation. It will report on the management steps to be taken and the investment required to support whatever throughput level is appropriate to changing consumption patterns.

A vital objective of the team's work will be a further reduction per barrel in manpower and service costs, although economies last year already achieved savings of 15 per cent. (It was unfortunate that the launch of a Cash Flow Improvement Programme coincided with the issue of new cars to company executives, so that CFIP was promptly translated as Cars For Important People.)

Product mix

Products manufactured at the refinery in 1982 included 7.9m barrels of naphtha, 10m of gasoline, 2.7m of kerosene, 8.3m of aviation turbine fuel, 19.5m of diesel, 19.9m of fuel oil and 1.8m of asphalt. Fuel oil and asphalt accounted for 31 per cent of the total.

One of the options would be to reduce the range of products and run the refinery at 175,000 b/d instead of at its rated capacity. Above 200,000 b/d the process is less efficient and results in a higher percentage of low-value fuel oil, although the introduction of advanced technology aims to achieve maximum recovery of light products.

A $7.8m revamp on the Fluid Catalytic Cracking Unit was completed last year, and a new reactor and vacuum column for the Light Isomate Production (LIP) project was due to have been brought on stream this month; unfortunately a fire on May 10, which killed one man and seriously injured two more, has put the project back by two weeks. The LIP project is a development of Bapco and Chevron Research Company, costing $32.5m, and the technology is already being copied elsewhere.

In the words of Bapco's chairman, these major investment projects and the completion of a $4m training centre "reflect the company's confidence in a prosperous future, supported by the loyalty of its employees and their ability to stand firm at this critical period for industry in general."

Energy sector

CONTINUED FROM PREVIOUS PAGE

faction plant was built at a cost of $100m and achieved full payback 18 months after going on stream.

The depletion of oil reserves gives the Banagas project a limited life, although associated gas is expected to be available in economic quantities for another 15 years. There are no plans to top up with dry Khuff gas, which contains only minor quantities of the major NGLs, propane and butane.

However, Banagas is now hoping to use the remaining Arab zone gas if a study by Banoco and Chevron indicates the presence of reserves sufficient to justify an investment of $20m.

In 1982 Banagas made an operating profit before tax of $57m and paid a $31m dividend to shareholders. This compared with a profit of $66m in 1981. Oil and gas companies whose profits are not entirely payable to the government are liable to income tax under a 1955 law, which was amended in 1979 to bring the rate from a sliding scale to a standard 46 per cent.

Banagas in 1982 processed for export, under a sales agreement with Caltex, 1.8m net barrels of propane and butana and 1.14m barrels of naphtha which was routed to the refinery. The dry residue gas supplied 80 per cent of the energy needs of the ALBA powerhouse. Naphtha prices dropped over the year from 75 cents a gallon to 64 cents, and were on average 5 per cent below the 1981 level. But propane and butane prices firmed by year-end, with propane at $270 a metric ton and butane $260. Tha upward trend has continued into 1983.

Budgeted liquid volumes for 1983 are about the same as last year. Despite the loss of some 20 mcfd of gas, Banoco's oil-well workover programme will progressively prevent bypassing of injection gas and Banagas will get a richer feedstock to compensate for reduction in volume.

During 1982 Banagas had its first major shutdown to modify the plant safety system, although the company's excellent safety record won a Royal Society for the Prevention of Accidents silver award.

New developments for this year include the first phase of a ring main system linking the four compressor stations, for which a $665,000 contract has been let locally. A de-bottlenecking study completed by McDermott prepares the way for an expansion of capacity if a decision is made to exploit Arab gas reserves before the supply of associated gas runs down.

Although Banagas is only three years old Bahraini nationals make up 65 per cent of the 190-strong workforce, while 38 academic trainees and 23 technicians are being groomed to play an active role in company operations.

Two Gulf joint-ventures, Gulf Petroleum Industries (GPIC) and the Heavy Oil Conversion Company (HOCC), also come under the aegis of the Supreme Petroleum Council. The first has a twin methanol and ammonia complex under construction, and the second has at the feasibility study stage a project to refine residual fuel oil into light distillates.

The only "independent" is Caltex Bahrain, formed in 1981 to look after Caltex Corporation's equity interest in Bapco and to provide manpower and technical services for both Bapco and Banoco.

Mary Frings

BAHRAIN OFFSHORE BANKING UNITS

(U.S. $m) — Geographical classification

	ASSETS					LIABILITIES				
	Arab Countries	North American	Western Europe	Offshore Centres*	Other	Arab Countries	North American	Western Europe	Offshore Centres*	Other
1976	2,487	13	1,129	1,241	1,344	2,578	214	2,277	923	222
1977	7,065	468	3,904	1,888	2,378	8,255	419	4,995	1,539	493
1978	11,688	277	5,301	2,971	3,204	11,666	1,891	7,018	1,850	1,016
1979	14,739	477	6,917	2,243	3,388	16,142	828	7,873	1,936	984
1980	19,770	641	9,764	2,538	4,753	24,236	358	9,311	2,339	1,222
1981	24,823	1,003	13,257	2,857	7,794	34,075	700	11,101	2,905	1,953
1982	28,994	1,431	14,320	4,654	9,608	39,457	1,287	12,297	4,370	1,596

* Bahamas, Hong Kong, Singapore, Lebanon.

Source: Bahrain Monetary Agency.

Period of rapid expansion in offshore banking ends

SEVEN fully licensed offshore banks opened in Bahrain during 1982. The same number came in during 1981. But apart from those banks which have yet to take up their licences (such as Artoc Trust and Banking) it would be surprising if there were as many newcomers this year.

"I will not say that we are having a moratorium on new offshore banks because that would not be strictly true," says Shaikh Ebrahim bin Khalifa Al Khalifa, the assistant to the Governor of the Bahrain Monetary Agency (BMA). "But we are looking more carefully at the situat'on." His remarks show caution rather than outright concern.

With the growing number of interr tienal debt rescheduling exercises, particularly for Latin America, on the one hand, and the contraction in the apending power of Arab oil producers, on the other, the rest of 1983 could be a watersbed for Bahrain's offshore banking industry.

There is no sense of crisis, and most of the 72 Offshore Banking Units (OBU'a) active in 1982 (ont of 77 wbich have been awarded licences) appear to have made profits. Business, bowever, is slowing down, and the next few months will be a time of consolidation rather than of further growth.

Assets and .liabilities for March, the latest month for which figures are available, stood at $56.1bn. This represented a continuation of the downward trend from $61.1bn last August, punctuated only by a rise from $57.3bn to $59bn in December, as a result of end-of-year "window dressing." On an annual basis, the growth rate of the offshore market slowed to 16 per ceot in 1982, compared with 35 per cent a year earlier.

Allied to the poor international outlook were regional economic uncertainties and political tensions induced by the continuiog hostilities between Iraq and Iran, and the Israel invasion of Lebanon.

Offsbore bankers faced a more specific problem wben Saudi Arabia last January announced restrictions on syndicated lending in riyals. Unofficial translations of the Saudi Arabian Mooetary Agency (SAMA) guidelines were quickly circulating in Bahrain.

What SAMA actually said sounded innocent enough: that Saudi banks should seek permission before inviting foreign banks to participate in Saudi riyal syndications, or before themselves participating in any syndication arranged offshore. But how readily permission would be given—and whether the guidelines represented the tip of a far more dangerous iceberg—were topics of anxious discussion.

As yet, there are no restrictions on the evailability of offshore riyals and direct lending to clients based in the Kingdom has not been affected. Nor have syndicated facilities denominated in dollars. Most bankers feel they can live with the SAMA measures, and see them mainly as a reflection of Saudi Arabia's long-beld desires to prevent the development of a Euro-riyel market and to curb the outflow of funds from the Kingdom.

Indigenous

They believe SAMA also seeks to encourage Saudi domestic banks to take on more loan business, instead of letting it go to the "suitcase bankers" from Bahrain, who have been aggresslvely marketing their speedier and more sophisticated services. On the other hand, it is pointed out that the ability of both indigenous and Saudi-ised banks operating within the Kingdom to meet the whole of the Saudi-related borrowing requirement is governed by capital limitations, reserve requirements and the prudent disposition of risk.

One European banker says: "There is still enough business in the Kingdom for Bahrain banks. The measures were not directed against the offshore industry here; they were merely aimed at stopping the riyal being internationalised."

More serious could be a decision by Saudi Arabia's Ministry of Finance to apply in a systematic way the existing provisions for a withholding tax on the interest earnings of foreign banks. This has been much rumoured, withont any serious practical effect. But if Bahrain banks were forced to put up their lending rates to Saudi-based customers, in order to protect their already fine profit margins, it would become much cheaper for private sector concerns to borrow within the Kingdom.

Some bankers are slightly worried, others are more sanguine. One leading American banker says: "We deal with withholding taxes all around the world, we could cope with one here."

Saudi Arabie does not represent the be-all and end-all of Bahrain'a offshore banking industry but it is clearly important. Overall, 49 per cent of assets were invested in Arab countries at the end of last year. Saudi Arabia would account for a large ahare of this.

Close on 67 per cent of liabilities were outstanding to Arab countries. Again, deposits from Saudi Arabia must heve played a major role.

Tbe difference between Arab world assets and liabilities in the system, amounting to $10.5bn, is e measure of Bahrain's success in recycling Arab funds outside the region and particularly to the Third World.

Bankers in Bahrain, insofar as they admit to some concern, seem less worried about Saudi Arabia than about the world picture generally. One Arab banker says: "Even the very big banks are being conservative about the credit lines they are sending this way,

Contrary to widespread belief Bahrain has never been a repository for the petrodollars earned by Arab oil producers. Since its inception in 1975 the offsbore industry has been funded primarily by private sector liquidity, although there has been some investment by government agencies from Saudi Arabia and elsewbere.

The BMA says the offshore banks do not have any basic bread and butter business, although the smaller banks go in for letters of credit and guarantee bonds in a big way. Otherwise the banks deal in everything from direct loans to package facilities to syndications, money market operations and foreign exchange.

Loans not related to regional business are not infrequently booked through Bahrain because of its tax free status and lack of exchange controls. Guarantees for contractors involved in development projects are a good source of fee income.

The charm of these arrangements is that the banks are rarely required to put up any money unless contractors default or fall seriously behind. In the banks' balance sheets such arrangements, if they feature at all, count as contingent liabilities.

The interbank money market has not grown as big in absolute terms as some bankers thought it would, although the BMA's December bulletin shows that at year-end over two-thirds of the OBUs' business was interbank. On the assets side interbank funds added up to $39.5bn out of e $59bn total, while on the liabilities side they amounted to $41bn. Roughly three-quarters of this business was with banks outside Bahrain.

Given the international economic climate, the pattern in the foreseeable future is likely to be sharper regional competition, a search for new business in areas such as the Asia-Pacific, and a moratorium on the type of large-scale sovereign lending in which Arab Banking Corporation (ABC) and Gulf International Bank (GIB) have hitherto specialised.

Participation

Several Bahrain banks heve opened branches in Singapore or Hong Kong, and the Asia-Pacific region is attracting increasing attention. Kuwait Asia Bank was set up last year specifically to develop business opportunities in this fast-growing area, and has invested 75 per cent of its assets there. Equity participations undertaken in 1982 included a 49.9 per cent interest in a joint investment venture (Australasia Investment Company) incorporated in New Zealand.

Meanwhile the National Bank of Bahrain recently arranged a $25m syndicated facility to provide working capital for a South Korean contractor, ICC Construction, in connection with the Perth natural gas pipeline in Australia.

Only one Japanese bank has a licence to operate as an OBU in Bahrain. Although there are three investment securities dealing operations and 17 representative offices. Some long standing Bahrain bankers had been expecting the Japanese to make an onslanght on the regional market. Although there is some regional involvement, most Japanese concerns seem to be primarily involved in raising funds for projects back at home, or even for head offices.

The funding opportunities Bahrain offers is certainly attractive to banks from developing countries. Mr Pedro Cuddell, the general manger of Banco de Estado de Sao Paulo, reckons most of his business is now concerned with lending back in Latin America.

The overall picture is thus one of a tighter leaner year. Most OBU's seemed to emerge from 1982 in reasonable shape. The BMA does not break down individual profits for offshore branches of foreign banks but the aggregate profit was in the region of $450. Almost half of this was earned by half a dozen big banks. There is plenty of rumour and speculation that such and such a bank is in the red or about to be so, but there are few signs of imminent collapse.

While BMA officials are not expecting any serious problems they, like OBU general managers, agree that there could be some departures as well as a lack of new banks coming along. In the harsher environment of 1983 the opportunities do not exist on the scale hitherto.

One U.S. banker was relaxed about the prospect of some banks scaling down their operetions or leaving. "Banks set up in a place for all sorts of specific reasons. If it is a mature banking and financial centre, there is no reason why banks should not come and go. After all they come and go from London or New York, if it does not suit their interests to stay. Why not Bahrain."

Stewart Dalby

Traders bullish about business prospects

IN A state which is supposed to be feeling the effects of an oil price slump, Bahrain's merchant community is surprisingly bullisb about business prospects at the moment.

There bave been no announcements from the Government about major cutbacks in expenditure so far, and even the decision to stretch the four-year plan over six years was welcomed by the private sector. Merchants say they prefer steady growth to spurts of expansion which leave their companies over-sized and ill-geared to cope with slumps. Most concede that the present building boom is likely to tail off within the next 18 months or two years, but in the meantime, no one is grumbling.

In the medium-term future is the unknown bonanza promised by the Bahrain/Saudi causeway. So far, the commercial community can only speculate on the possible economic impact of Bahrain suddenly becoming attached to the Saudi mainland, but all agree that the effects will be major and mostly beneficial.

There is still much discussion in Bahrain about which way the trade patterns will develop when the causeway is opened in 1986. The island's port, Mina Sulman is naturally hoping that traffic for Saudi Arabia will come into Bahrain and be transported to the mainland by lorry. Indeed, the port is going ahead with a plan to convert additional berths to container traffic in order to continue to attract major shipping lines.

Others, in the merchant community, speculate that the traffic will be in the reverse direction, from Saudi Arabia to Bahrain, and that because the causeway will provide a direct connection to Europe, prices in Bahrain will fall.

The buman traffic is undoubtedly going to be flowing into Bahrain. The island's hoteliers are licking their lips at the potential the causeway offers for boosting flagging occupancy rates. At the moment, It is still unclear what the Saudis will decide about visa regulations and security checks. According to G.C.C. rules, Bahrainis and Saudis will be able to pass freely, but expatriates will still be prevented from making casual visits to Bahrain because of exit permit requirements. There will be no question of popping over to Bahrain for a drink and dinner.

Surprisingly enough, there appears little concern in Bahrain that the causeway will turn the island into a "sin city" where Saudis can come to drink and disco as freely as they like. Most merchants say that Bahrain is too close to home (and hence to scandal) for Saudis to be anything but highly discreet in their enjoyment.

The causeway will also encourage a strengthening of the commercial and industrial links between merchant houses on either side. Many Bahrainis have already consolidated those ties through marriage to Saudis and many are in partnerships in industrial ventures either in Bahrain or on the mainland. Such ventures are likely to blossom under the new G.C.C. tariff system, which provides free access to all Gulf markets for industrial goods which have been partially assembled in a member state.

Bahrain is still negotiating with its Gulf brothers about customs duties. For Bahrain, customs revenue constitutes about 15-18 per cent of total government income but for other states the taxation of imports is barely a necessity at all. Bahrain has recently been increasing its customs duties—there was a new 20 per cent tax applied on all car imports in February. On other goods such as cigarettes and alcohol (which attracts e 100 per cent tax), the rates are even higher.

Commerce Ministry officials say the government is going to push for a grace period to retain its current duties on imports or aeek compensation for agreeing to reduce them.

The causeway is also expected to stimulate interest by Saudi nationals in buying property on the island. Saudis and Kuwaitis have for e long time been allowed to acquire land, and such is the extent of their purchases, that some circles ere already concerned that they have been too much. The Assistant Under-Secretary for Commerce, Hassan al Nusuf, says that at the moment, the proportion of land beld by other Arabians is not worrying, but that action may be taken to prevent speculators moving in and disrupting land values. "This sector has to be organised before the causewey opens," declares Nusuf.

Local merchants say that Bahrainis are unikely to go on a selling spree to Saudis eager to build their own weekend villas on the island. "Those

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National banks dominate the domestic market

BAHRAIN'S THREE national commercial banks made record windfall profits in 1982, to boost their already healthy earnings from routine operations, whila the 15 foreign banks in the domestic market had to work harder for an increasingly small share of the cake.

Apart from the special category Bahrain Islamic Bank, which has so far remained on tha sidelines, only Bank of Bahrain and Kuwait (BBK), National Bank of Bahrain (NBB) and Al Ahli Commercial Bank are permitted to handle subscriptions to new share issues — whether for Bahraini or offshore public shareholding companies — and to arranga seven-day credit facilities for subscribers.

The banks reaped considerable rewards from these activities in 1979 and 1980, but last year there were five heavily over-subscribed offshore issues and the takings were enormous; in the case of Al Ahli Commercial Bank, more than four times tha ordinary income.

BBK declared extra-ordinary earnings of $44m, together with income from operations (consolidated) of $34.6m. A little more may have been "hidden" in innar reserves. NBB's $24m share of the windfall was less than half its operational income of $51.5m, whereas at Al Ahli Bank ordinary income of $4m was dwarfed by share issue profits of $18.7m.

"Oh yes, we mada a lot of money from the share floats," says Mr Gregg Krikorian, the general manager of Al Ahli, grinning broadly. "But there will be no repetition this year, that is why we have separated out exceptional profits in our annual report."

Following the collapse of Kuwait's Suq Al Manakh, where most of the Bahrain offshore "Exempt" Company (EC) shares were traded, the climate has turned against the flotation of new companies. There are unlikely to be any further flotations this year, although the establishment of a well-ordered stock exchange in Bahrain could put new life into the market.

International consultants are at present drawing up guidelines for the establishment of an official stock exchange, probably by the beginning of 1984. Meanwhile, many of the independent Bahraini stockbrokers who opened shops in the boom period have closed them again, and deals are concluded either through the few brokers who remain, by private treaty or occasionally through the banks.

The annual reports of BBK and NBB present a set of figures different from those published on the commercial banks by the Bahrain Monetary Agency (BMA). This is because they each have an offshore banking unit (though it is run more as an international division of tha main bank than as a separate entity) and an overseas branch —BBK in Kuwait and NBB in Abu Dhabi—and tha results of all three operations are consolidated. The BMA on the other hand strips out non-domestic activities.

Even in the BMA figures the national banks hold a dominant position in the market, with 59 per cent of the aggregate assets and 66 per cent of ordinary profits. Branches of foreign banks are excluded not only from the share issue bonanza, but from participation in guarantee and bonding business for government supply and construction contracts. Nevertheless many of them have been in Bahrain a long time (more than 60 years in the case of Chartered Bank) and have a loyal following.

Traditional

Chartered (formerly the Eastern Bank) and British Bank of the Middle East (BBMB) have traditionaly run a retail business catering for hundreds of small depositors, while Chase and Citibank are oriented more to the wholesale market. In between are the "remittance" banks and others serving specific national groups, from whom they draw most of their customer deposits.

Economic activity was maintained at a healthy level in 1982, before dropping oil prices began to have an effect. The GNP growth rate was estimated at 8 per cent, and domestic bank lending rose by 15 per cent over 1981. Trade financing accounted for over 30 per cent of lending, a little less went to the construction sector, and 20 per cent was classified as "personal". Manufacturing accounted for only 6.8 per cent, while a minimal 0.2 per cent was directed to agriculture.

Because there is no exchange control, there is scope for funds to leave Bahrain in search of the highest available interest rates, although this has been less of a problem since dollar rates began to come down.

To maintain dinar liquidity within the banking system the BMA offers a swap facility, under which local banks may swap dollars for dinars at a concessionary rate of interest, providing the dinars are needed for genuine commercial lending in Bahrain.

Secondly, and probably more importantly, the BMA has sanctioned the issua of negotiable certificates of deposit (CDs) at more attractiva interest rates than those obtainable on ordinary fixed deposits. The Government has been anxious to keep ordinary deposit rates low, so that in turn local lending will not carry punitive rates of interest. The deposit rate ceiling ranges from 6¼ per cent for one mouth money to 8½ per cent for 15 months.

However, CDs in initial lots of BD 30,000 and then in multiples of BD 10,000, were at one time last year carrying rates of up to 13½ per cent; against 18 to 19 per cent on comparable dollar-denominated notes in New York. Even at this level the Bahrain rate was not enough to prevent an outflow of funds.

But an extra 2 or 3 per cent obtainable on dollars is not normally enough to compensate for the cost of switching currencies and the exchange risk, although the latter is small. The BMA selling rate for the dollar has been fixed at 377 fils since 1980. Any change in parity is likely to be in favour of the dinar.

There appears to be little secondary market in CDs locally, so that word negotiable is something of a misnomer. The CDs are more like term deposits. However, they seem to have helped to retain liquidity in Bahrain.

Last year residents' deposits of local currency in the commercial banks (excluding government deposits) rose from BD 541.1m to BD 687.3m (an increase of 27 per cent), while deposits in foreign currency fell 15 per cent from BD 233.5m to BD 198.8m.

The economic outlook for the current year is reasonable enough. Despite the pressure on oil revenues the Bahrain Government has not cancellad any of its major infrastructure projects, although they may be spread over a longer period. The Saudi-financed causeway and the joint-venture industrial projects are going ahead, and this will have a fall-out on to the local construction market.

Limited

One leading banker said: "You can expect that tha four-year plan development plan launched in 1982 will becoma a six-year plan."

However, with the economy slowing down as the region becomes less prosperous because of falling oil prices, tha difficulties of finding loan business in a limited market might start to make themselves felt in 1984. While 40 per cent of NBB's business is non-domestic the smaller and younger Al Ahli Bank finds only 20 per cent of its business outside Bahrain, and that is mostly regional.

Mr Krikorian is not too worried. Although things could get tougher in 1984, "the world could come out of recession by then."

Another banker says: "There are too many banks in Bahrain competing for limited business. There are after all only 350,000 people here. But then the whole world is over-banked; it is a question of being competitive and innovative."

Stewart Dalby

COMMERCIAL BANKS RANKED BY SIZE OF ASSETS

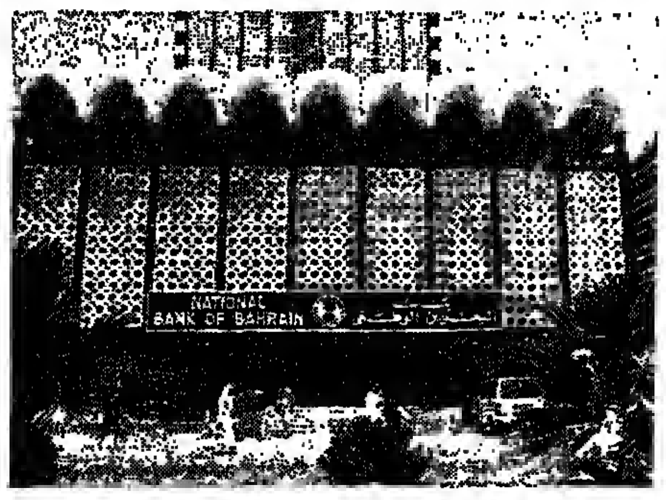
Figures in BD m (BD 0.377=$1)

	Assets excl. contra	Contra	Loans	Customer deposits	Ordinary profit 1982
Bank of Bahrain & Kuwait	269	55	156	153	5
National Bank of Bahrain†	258	190	112	181	11
Chartered Bank†	143	18	79	130	2
Al Ahli Commercial Bank	116	27	79	81	2
British Bank of the Middle East†	93	27	49	85	1
Bank Melli Iran	35	0.1	27	8	1
United Bank	31	9	13	28	0.8
Habib Bank†	25	2	8	22	0.2
Banque Paribas†	20	10	16	7	0.4
Arab Bank†	20	5	7	14	0.2
Citibank†	15	8	2	12	0.4
National Bank of Abu Dhabi†	14	4	10	10	0.1
Bank Saderat Iran†	12	0.3	11	3	0.2
Grindlays Bank†	11	6	8	5	0.3
Algemene Bank Nederland†	10	6	7	7	0.3
Rafidain Bank	9	2	8	2	0.5
Banque du Caire	4	2	2	3	0.2
Chase Manhattan Bank†	3	30	2	2	0.5

† Not including OBU's or overseas branches.

NOTE Net profits for the three locally-incorporated banks are shown after provision for bad and doubtful debts, but those for branches of foreign banks are shown before such provision.

Table compiled by Mary Frings.



The headquarters of the National Bank of Bahrain in Government Road, Manama. The National Bank is the oldest of the wholly Bahraini-owned banks on the island.

Traders' prospects

CONTINUED FROM PREVIOUS PAGE

who want to sell have already sold. The rest of us are unlikely to sell much more, but if we do, we will benefit from higher land values," said one businessman.

Bahrain is currently experiencing a slight softening in the property market, and local real estate agents say that villa prices are coming down. Luxury four-bedroom villas, which only a few months ago would have been let for between BD 1,500 and BD 2,000 a month, have now come down by about BD 200. Middle management accommodation, of which there is still a shortage, is holding its prices—for tha time being. Agents say that a number of foreign companies and banks are now tightening their budgets and looking hard at Bahrain rents.

Office accommodation in contrast is firming, but faces a softening at the beginning of 1985 by which time most of the 10 to 12 buildings planned for the Diplomatic area will have been completed. By that time, the property market will be reacting to the imminent completion of the causeway, and though no major tourist or residential developments have emerged yet, over the next year or two, a number of large projects are expected.

Baraini merchants are still very much trade orientated, and by their own admission conservativa in tha development of their businesses. Traditional families like the Yattims say they prefer to stick to the home base, rather than spread their wings to other Gulf states, despite the open access which G.C.C. rules now provide. Farouk Almoyyad, head of one trading house, says he is now considering participating in a number of joint industrial ventures in Saudi Arabia, but would prefer to deal in a market where he competes on a completely equal footing with nationals from that country. His forays into Western investment had not been encouraging at all.

Tha Zayanis in contrast have been spreading themselves over four continents, as well as being deeply involved in ventures with Saudis and Kuwaitis. Zayani investments now include hotels in London, housing in New York and Florida, and an investment company listed on New York stock exchange.

One type of investment activity likely to excite the Bahrainis in future will be trading on the proposed stock exchange. The exchange will be established by the beginning of next year, and will be administared by a regulatory body. "We have learnt the lessons of Kuwait," says the Commerce Secretary, Hassan al Nusuf, "and trading by post-dated cheques or in futures will be strictly forbidden."

The market will be divided in two. The official Bahrain market will list the 19 Bahrain public companies and will be accessible only to Bahraini nationals. The second market will take on some of the 13 offshore ("Exempt") companies traded on Kuwait's Souq al Manakh exchange. However, there will be careful study beforehand to assess companies' qualifications for listing, say officials. The offshore companies market will be open to all Gulf nationals.

Kathy Evans

How Kuwait investors have influenced the economy

"SMALL INVESTORS in Bahrain may have been hurt, but no one of substance is in serious trouble," said one millionaire local businessman. He was speaking of last summer's Kuwaiti stock market crash and the ripple effect around the Gulf of the fall in share values and the backlog of $91bn worth of post-dated cheques.

In the autumn, when the business community returned to full strength after the traditional summer trips abroad, every majlis hummed with gossip on just how many of the cheques had accumulated in Bahrain. The exposure of the businessman quoted was believed to be $10m, but that was not the sort of information that one could ask for directly. A top political figure was said to be holding $27m worth of post-dated cheques, a banker $2m to $3m.

There were no official estimates. The Ministry of Commerce asked cheque-holders to register with it as well as with the Kuwaiti Clearing House, in order to gauge the size of the problem; but since the two institutions were offering no assistance hardly anyone did so. Unofficial estimates of total Bahraini holdings of post-dated cheques swing between $200m and $500m.

It is clear that large numbers of Bahraini investors speculated in Gulf shares, either directly on Kuwait's unofficial exchange, the Suq Al Manakh, or through the many local stockbrokers who clustered in Bahrain's Al Jawhara market and other recognised enclaves. While losses were probably not critical, a lot of profits which looked good on paper had evaporated a few months later.

Ironically, the Bahraini domestic stock market suffered a serious reverse about six months after the Suq Al Manakh collapse. The government had urged people to stick to investments in well-established Bahraini companies, but its advice seemed irrelevant when a general mood of pessimism set in from February this year. Concern over external pressures on oil revenues prompted a wave of selling, and the price of one dinar shares in the National Bank of Bahrain — regarded as the bluest of blue chip investments — tumbled from a peak of BD 23.500 to BD 10.

Bahrain was spared a stock market collapse on the Kuwaiti scale partly because the issuing of post-dated cheques is not common practice on the island, except as a method of buying goods by instalment.

Irrelevant

Legally, shares in Bahraini companies may not be held by non-Bahrainis, but few transactions are registered and purchases are frequently made in other names. So there may be some truth in the rumour that some of the shares sold in the Bahrain market were owned by Kuwaitis who needed the money to meet post-dated cheque commitments; alternatively, a number of Bahraini shareholders may have sold out for the same reason. But no one counts these possibilities as more than contributory factors to the fall of share prices.

The sensitive bank shares have recovered slightly since the initial plunge, but investors still prefer to be liquid. Some analysts believe the shares are now closer to their proper value, having been unrealistically priced as a result of the scarcity of investment opportunities and of the speculative fever which gripped Bahrain from the beginning of last year.

The domestic stock market is not the only financial institution in Bahrain that has been affected by developments in Kuwait during the past year.

Kuwaitis have also had a determining influence on the performance of the shares of Bahraini Exempt Companies—ECs. These are "offshore" companies which are exempt from Bahraini tax and majority national ownership provisions, but are not allowed to do business within the Bahraini economy.

Kuwaitis have invested heavily in ECs since 1979, partly because of the recession in the Western economies and partly because of the severe restrictions that have been placed on the floating of new companies in their own state.

In late 1978, just a year after the introduction of the exempt company idea, the Bahraini authorities were persuaded to vary the regulations to permit public ownership in special cases.

Over 140 ECs have been established since the beginning of 1978, but only 13 have been allowed to go public. The first of them was indeed rather special: the founders' list for Al Jazira Contracting Company including representatives of every ruling family in the Gulf, headed by Prince Mohammad bin Fahd — the entrepreneurial son of the Saudi monarch. But like all but one of its successors (Investcorp), Al Jazira is predominantly Kuwaiti-owned.

The investor-appeal of new exempt companies is largely a matter of the personalities involved, rather than what the company proposed to do, and founders' lists were closely scrutinised for the names of successful Kuwaiti entrepreneurs. It was accepted that shares were offered for public subscription not because the founders needed to raise funds, but to create new opportunities for trading. Investors tended to be suspicious if the founders had not put up a majority of the capital themselves.

Initially, under Bahraini law, Bahrainis could participate as founders in exempt companies, but not take part with other Gulf citizens in subscribing to public issues. The restriction was designed to protect the less sophisticated from risk, but reports in 1979 of fortunes made overnight on Pearl and Gulf Investments led to intense public pressure for change, and at the beginning of 1981 it was conceded that as from the start of the next year at least 20 per cent of public issues should be set aside for Bahrainis.

Al Jazira and Arab International Development came on the scene a little early, before the market took off in 1979. In the boom period prices were doubling every six months and everyone was winning. But Investcorp hit the start of the decline in mid-1982, and those who subscribed in the hope of a quick killing had to hold on to their shares, or write off a percentage of their outlay. This was because the heavy over-subscription put up the cost of buying each share to six or seven times the issue price. Bahraini nationals who applied for 240,000 shares were allotted 120.

One cost factor—in addition to the interest paid on credit facilities—was the system of buying "names." A ceiling was placed on the number of shares for which each subscriber could apply, so the "head-count" in each share issue included thousands of people who had sold their right to subscribe at anything from $5 to $150 per passport. The buyers were speculators who collected suitcases full of passports, registered the numbers before returning them to their owners, and then were able to apply for several million shares. The practice was defended on the grounds that it spread the benefits to the poorer sections of the community, and the immigration authorities noted an increase in passport applications.

One of the more risqué stories going the rounds was that a batch of passports in for renewal found its way to a share registration office, so that when the owners got the passports back they found their subscription rights had already been exercised.

If they were lucky the big-time subscribers had only to dig into their pockets for 1 per cent of the face value of the shares applied for. Although the BMA required a 5 per cent deposit in cash from the domestic banks handling the issue, and forbade them to lend it to their customer first, suitable interbank arrangements could be made—at a price—with offshore banks. The domestic banks themselves provided "paper" credit facilities on the other 95 per cent of the shares applied for, at the rate of 12 per cent per annum. They received a further bonus from the BMA, which paid seven days interest on the margin deposit.

The 1982 share issues represented a $90m bonanza for the three national banks. To avoid the undignified scramble for business seen in 1979, they divided it up on the basis of overall market share, irrespective of how well they did on any particular issue. This reduced the Bank of Bahrain and Kuwait's probable 70 per cent take, but maintained interest rates at a uniform level, to the banks' mutual benefit.

Until the market collapsed, seven or eight of the 13 Bahrain EC's listed in the table were heavily involved in trading on the Manakh, and are now counting the cost. Loan commitments may have given the three offshore banks (Bahrain International, Bahrain Middle East and United Gulf) some exposure to Kuwait in the normal course of business, but the collateral in such cases is regarded as good. Investcorp has remained totally uninvolved.

The position of the Bahraini-Kuwaiti Investment Group is uncertain, since publication of its annual accounts has been delayed. The group was formed almost three years ago but restructured for registration last year in Bahrain, instead of in Dubai as originally planned.

The Bahraini-Kuwaiti Investment Group had been trading for some time, and when its chairman, Hassan Maki Juma, signed for a $200m loan arranged by the Bank of Bahrain and Kuwait last July he referred to a half-year profit of some $80m on share and property dealing. Preliminary reports indicate that this had been cut in half by the end of the year by provisions against losses on post-dated cheques.

THE BAHRAIN OFFSHORE PUBLIC SHAREHOLDING COMPANIES (E.C's)

Name of company	Paid-in capital Dec 1982	Shareholders equity	Declared profits 1981	Declared profits 1982	Post-dated cheques carried	Provisions against loss: chqs.	Provisions against loss: investments
Al-Jazira Contracting and Investment Co.	$72m	$68m	$6.4m	$2.3m	$9.4m	*	$21.7m
Arab International Develpmt. Company	$29.5m	$35m	$2.1m	$7.6m	$30m†	—	$2.3m
Pearl Investment Company	$150m	$182m	$35m	$34m	$140m†	$33m	—
Gulf Union Insurance Company	$19m	$20.2m	$3.8m	($63,000)	$35.6m	$7m	$4.4m
Gulf Investment Company	$288m	$380m	$50m	$38m	$200m	$55m	—
Arab Iron and Steel Company (AISCO)	$127m	$154m	$11m	$9m	—	—	—
Arab International Insurance Company	$7.5m	$8.3m	$2.3m	$1.3m	$11.8m	$3.6m	$1.7m
Gulf Consolidated Services and Industries Company (GCSI)	$149m	$162m	$24.4m	$3m	$45m	—	$30m
Bahrain International Bank (BIB)	$180m	$208m	—	$24m	—	—	—
Bahraini Kuwaiti Invstmt. Grp. (BKIG)	$146m	audited accounts delayed until end June					
Bahrain Middle East Bank (BMB)	$100m	$111m	—	$11m	—	—	—
Arabian Invstmt. Bkg. Corp—Investcorp	$50m ‡	n/a	Fiscal year ends December 31 1983				
United Gulf Bank (UGB)	$200m	$265m	$17.2m	$35.5m	—	—	—

* Not yet announced.
† Estimated.

Table compiled by Mary Frings

Depreciation

The published annual reports of the other investment companies make interesting reading. Al Jazira, which has changed its company name to incorporate investment as well as contracting, is the only one to have written down the unrealised depreciation in value of its investment portfolio against equity, rather than taking it into the profit and loss account. This is why shareholders' equity has fallen below the paid-in capital figure. The provisions taken against "foreseeable loss on collectability of notes receivable" (i.e. post-dated cheques) has not been quantified.

Gulf Investments set out with admirable clarity the face value of post-dated cheques, the value of those issued by the so-called "troubled debtors" and the provisions taken according to guidelines from the Kuwaiti Chamber of Commerce and the Ministry of Commerce and Industry in Kuwait. GIC's accounts are qualified like most others by the auditors' statement that "the final resolution regarding the above-mentioned notes receivable is not presently determinable." A director of GIC said the company would have to find the cash to pay a 5 per cent dividend, even if it meant borrowing against investments; which should not prove difficult. It has a net worth of $380m and some prime real estate in Paris and New York.

The only company to have reported a loss after provisions in respect of both post-dated cheques and investments is Gulf Union Insurance. It is noteworthy that of this company's balance-sheet total of $53.7m, $20m is funded by shareholders' equity and $30m by short-term loans repayable by April this year.

Mary Frings

How to find the right trade channel

FOREIGN COMPANIES examining prospects for establishing commercial activities in Bahrain have first to decide if their objectives are limited to trading or supplying services into Bahrain or if their choice of Bahrain is for reasons of establishing an office for carrying on business in the region or further afield.

Agencies

Trading into Bahrain is conducted through a local sole proprietor or Bahraini company appointed as the commercial agent of the foreign principal.

There are few exceptions to the general rule that only Bahraini nationals and wholly Bahraini owned companies may act as commercial agents, but these exceptions have historical roots. The 1975 law on Commercial Agencies states that an applicant wishing to be entered on the Commercial Agency's Register at the Ministry of Commerce may be a company with 51 per cent Bahraini shareholding, but in practice it is no longer possible for Bahraini incorporated companies having any foreign shareholders to register as commercial agents.

In order to be enforceable a commercial agency agreement must be registered with the Ministry of Commerce and Agriculture. Renewal of an agency agreement must be effected every two years, whether the agency is for a fixed or indefinite term.

The agency agreement itself has two central features: (a) the agent should be the sole agent and (b) the agency should, generally speaking, be direct with the manufacturer of the product and not with an exporting agent of the manufacturer.

It is now a requirement that agency agreements should be stamped by the relevant Chamber of Commerce in the manufacturer's country, the Bahrain Embassy in that country, and the Chamber of Commerce and Industry in Bahrain.

The Ministry of Commerce and Agriculture plays an active role in overseeing trade. While the Ministry undoubtedly prefers to see agency agreements made subject to Bahraini law it remains possible for an agreement to be registered with a foreign jurisdiction clause. Arbitration clauses, frequently making the Rules of Conciliation and Arbitration of the International Chamber of Commerce applicable in the event of a dispute, are acceptable.

Notwithstanding the inclusion of an arbitration clause, if both parties to an agency agreement agree in writing, disputes may be decided upon by a three-member committee composed of a representative of the Bahrain Ministry of Commerce and Agriculture, a representative of the Bahrain Chamber of Commerce and Industry, and a local merchant.

In the event of a dispute it is frequently the case that the overseas principal is seeking to terminate the agency relationship. If the local agent agrees to the termination of the agency agreement, the foreign company will generally have to (a) pay compensation to the agent for the loss of the agency, (b) repurchase any goods held in stock by the agent at current market value and (c) satisfy the committee that all obligations (such as current guarantees on goods purchased) created by the old agency agreement are transferred to any new agent.

The role of the committee is to decide on the amount of compensation, if any, and the repurchase price of the goods in stock.

The number of agency disputes appears to be relatively few. The committee established by the Ministry deals with about 15-20 cases a year. There are few reported cases of referral of disputes to the Bahrain Courts or international arbitration bodies.

In the case of foreign companies seeking to establish a physical presence in Bahrain to carry on business in the country, such business activities are restricted to the supply of services. The choices of business medium available are: a branch office; a joint venture company; or a joint venture partnership.

Branch offices

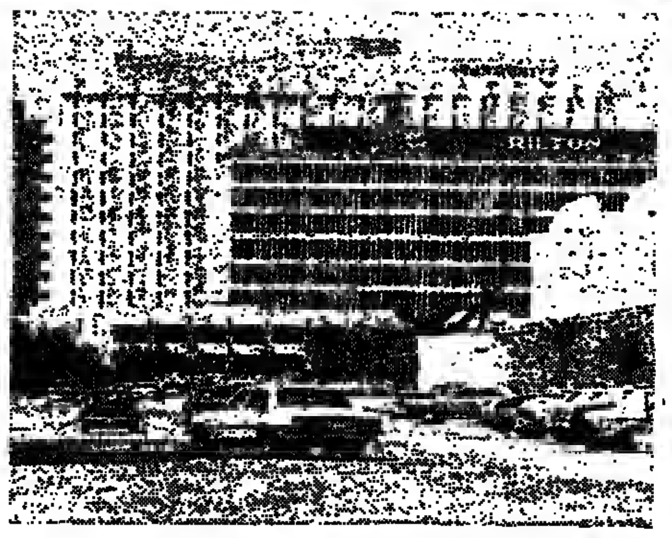
There are three recognised types of branch office. The category into which the company falls depends on the service activity which the foreign company intends to carry on.

The categories are consultant, for example architects, engineering consultants, and management consultants; representative, for example banks, airlines and manufacturing companies (the latter being restricted to the promotion of their products and not selling which as explained is a trading activity); and service companies, for example general contractors, electrical contractors and leasing companies.

For a consultant branch office it is not obligatory to have a local sponsor. In both other cases a sponsor is necessary. The actual terms of the relationship between the foreign company and the sponsor are a matter for private negotiation between the parties.

There is very little written law on the subject of sponsorship and the obligations of the sponsor. At present the local sponsor is generally not responsible for the activities of the foreign company.

It has been reported that discussions are being held between the Ministry of Commerce and Chamber of Commerce on bringing into force regulations that will make the sponsor responsible for the activities of the foreign branch in certain circumstances.



The Hilton and the Sheraton—two of Bahrain's leading hotels. In the background on the left is the Bahrain Tower, one of the first of the new generation of high quality office blocks built in the late 1970s.

For the present it remains important that the duties and obligations of the sponsor should be set out clearly in the sponsorship agreement. The foreign company will usually look to the sponsor to provide assistance in such matters as obtaining work permits and residence visas and introducing business connections to the foreign company.

In return the foreign company pays the sponsor a fee. Again the level of remuneration is a matter for negotiation between the parties. Annual flat fees are perhaps less commonly agreed than a percentage fee based on the yearly gross income or net profit of the branch office.

The sponsorship agreement must be filed with the Ministry of Commerce and Agriculture together with a series of documents, which include notarised and legalised board resolutions of the foreign company to open a branch, a clearance certificate from the local Israel Boycott Office (which in Bahrain is a department of the Ministry of Finance and National Economy), latest accounts, and a "guarantee" from the head office of the foreign company addressed to the Ministry of Commerce undertaking to honour its financial obligations in Bahrain.

Each application to open a branch office in Bahrain is subject to the approval of the Ministry of Commerce. Although it is not obligatory, it would be accurate to state that the Ministry considers more favourable applications from overseas companies able to demonstrate through the provision of accounts and list of the main projects undertaken that they are well established.

As a precaution, the Ministry also requires bank references from the applicant's principal bankers.

Joint venture companies

These are registered as local limited liability companies. The principal features of such an entity include a minimum capital of BD 10,000, although the Ministry of Commerce does sometimes require that the level of capital be set up at a higher level. The capital has to be paid up in full in cash or kind. It is a requirement of Bahrain law that a limited liability company must have at least 51 per cent of its share capital owned by Bahrainis.

The draft Memorandum of Association of the limited company has to be submitted to the Ministry of Commerce for approval together with a list of documents similar to those required for a branch office registration. The draft document will be carefully scrutinised before it obtains its approval.

Joint venture partnerships

Since 1981 certain professions and practices have been permitted to form joint venture partnerships. The professions include architects, quantity surveyors, chartered accountants and industrial engineering consultants.

In principle there must be a 51 per cent Bahraini share in the capital and operational earnings of the partnership, but in cases where two or more foreign partners, whether individuals or corporations, enter into the partnership the share of the Bahraini partners in the capital and operational earnings may be reduced to not less than 30 per cent.

For all companies carrying on business in Bahrain through the medium of a branch office or joint venture company fees are payable to the Ministry upon registration and annually thereafter.

The fees payable vary depending on the particular activity undertaken.

In the representative branch office category, banks currently pay BD 250 per annum, manufacturing companies BD 200 and airlines BD 2,000.

In the field of construction, "Grade A" cootractors pay BD 7,500 per annum while electrical contractors employing over 25 people pay BD 2,000 per annum.

Exempt companies

The success of Bahrain in establishing itself as the financial and commercial centre for the Gulf has been well recorded. The factors which have continued to give Bahrain this pre-eminence are many, but undoubtedly significant has been Ministerial Resolution No. 25/1977 which permits the incorporation in Bahrain of companies exempted from certain provisions of the law on joint stock companies.

Perhaps the single most important feature of the ministerial resolution is that the share capital of an "exempt company" does not have to include any Bahraini ownership.

An exempt company is a Bahraini joint stock company which must have its capital office in Bahrain. However it is not allowed to carry on business in Bahrain, as opposed to carrying on business from Bahrain, without the consent of the Ministry of Commerce. This will be given only in exceptional circumstances.

The Ministry of Commerce reports that 136 exempt companies have been incorporated so far and that another 18 applications are under consideration.

The Ministry studies each application carefully and what it describes as "brass-plate business" is not permitted. Each exempt company must have a physical presence in Bahrain.

The application to the Ministry must include details of the office premises to be leased and the staff to be employed. The Ministry will expect the employees to include Bahraini nationals.

Upon incorporation BD 2,500 is payable to the Ministry as a registration fee and this is renewable every year. Out of the paid-up capital, which must be a minimum of BD 20,000, BD 5,000 has to be deposited with an "approved institution" in Bahrain (in practice the Bahrain Monetary Agency) as a security for the liabilities of the exempt company.

Information on each exempt company including the names of the shareholders, their shareholding in the company, details of directors and audited accounts are on record at the Ministry, and are available to the public upon application.

The firms included in the growing list of exempt companies are involved in a wide range of activities. These include banking, insurance, and regional support offices for overseas parent companies' activities. It should be noted, however, that in the case of banks and insurance companies approval from the Bahrain Monetary Agency as well as from the Ministry of Commerce is necessary.

John Morgan

John Morgan is a member of A. G. Qaroooi and Associates.

Fierce competition in building sector

THE BAHRAIN/SAUDI causeway is the island's biggest construction project under way at the moment yet it is having the least impact on the general pace of business.

Bahraini merchants grumble about the relative lack of spin-offs generated by the work, but considering that Saudi Arabia is footing the entire bill for its cost there is little they can do about it. The contractor, Bandar Ballast Nedam, brusquely refers all enquiries to e head office in Holland, and even Bahraini Government officials divert queries to a telephone number in Riyadh.

The Bahraini business community has contracts to provide rock from a local quarry, a quantity of electric cables and food for the labourers. It has been cut out of the major parts of the $564m project by a clause in Saudi laws that requires foreign contractors to show preference to Saudi companies when selecting sub-contractors.

Most of the heavy equipment needed on the project has been brought in from Saudi Arabia where Ballast Nedam is still engaged on other major projects. The rest has been ordered from overseas, where the company's buying power has secured lower prices.

According to local officials the project is currently running on time and within the next few weeks the laying of the bridge sections is to begin. The contractor's prefabrication yard on Umm Nassan island is well advanced with the production of the 584 precast concrete piles needed for the project.

The dimensions of the project are staggering. There will be a 12.5 km dual lane bridge. Some 10m cubic metres of sand fill and 4.5m cubic metres of rock fill will be needed.

One of the greatest problems has been shallow water. In parts of the sea covered by the bridge, water depths are as little as one or two metres. This has caused difficulties for the 74 workboats which are being used during construction. A number bave had to be purpose-built for the project.

One specially built vessel has a draft of only 600mm. Most of the contractor'e vessels bave drafts of up to 4 metres, bowever, so a considerable amount of dredging has had to be done.

On a project which is as big as the causeway and was awarded mainly on e fixed price basis, there is little margin for delays or mistakes by the contractor.

When the project started in September 1981 the contractor had quickly to change the proposed site for the work island and shift the location of the prefabrication yard to the north end of Umm Nassan, after test borings showed thet the location on which the tender was based was unsuitable. There are also bureaucratic problems in securing the necessary permissions for work boats and equipment crossing the international waters between the two countries.

The contract sum is only partly fixed, say reports. Bridges and all temporary works are fixed, all other items are remeasurable, though at fixed rates. There is also provision for a basic review of certain materials prices after two years.

Major parts of the design work still have to be completed. Until the Saudi and Bahraini governments agree on visa and security arrangements design work on two man-made islands which will function as border posts cannot go ahead.

Tail-off

There is still discussion about whether lorries will be unloaded and cargo repacked on to smaller vehicles at the frontier areas. The Saudi road system and the causeway itself is built to take beavier axle loads than the internal Bahraini road system. Bahrain has to choose whether to upgrade its own roads or opt for a transhipment area on the border.

Beck on Bahrain island, local contractors are expecting a tail-off in the amount of work available with 18 months or so. Meantime they are jockeying for the 30 or more office blocks and government buildings — completely unrelated to the causeway—that are already underway or proposed for urban areas. The Diplomatic area alone will have a dozen new office blocks within the next three years or so.

The fierce competition for the contracts on these private sector projects has kept prices down to 1977 levels, say local consultants, and in some cases prices have gone below British levels.

The Housing Ministry is proving a valuable source of work for the smaller local contractors. Under a Ministry policy, all major development works are parcelled out to local companies in lots of 100 houses each.

This year the Housing Ministry has some 3,200 houses under construction as part of the development of Hamad New Town, which when complete will consist of 12,000 houses. Some 8,000 of these will be built directly by the Government and the remainder handed out in the form of gift plots, complete with public utilities and services, to applicants building their own houses. The whole Hamad Town project is costing BD 260m and because the project is already well underway, it is unlikely to be affected by Government cutbacks.

However, Bahrain still has a waiting list of 6-7,000 applicants for homes. Bearing in mind this and the natural growth in population, the Ministry has identified e need for 22,000 houses to be built during the 1980s. The planning department of the Ministry is already studying possible locations for another new town, though the go-ahead for this project may be affected by budgetary considerations.

The industrial sector will of course continue to be dominated by the large foreign contractors. In mid-May the go-ahead was finally given for the aluminium rolling mill, a Gulf project owned by six governments. The project is to be awarded to Kobe Steel of Japan.

There are still question marks over the future of the heavy oil conversion project, expected to cost around $600m. The project envisaged is a hydro-cracking unit which will produce naphtha, kerosine and gasoline. C. E. Lummus Engineering of the U.S. is believed to be working on a number of designs for the three shareholder governments.

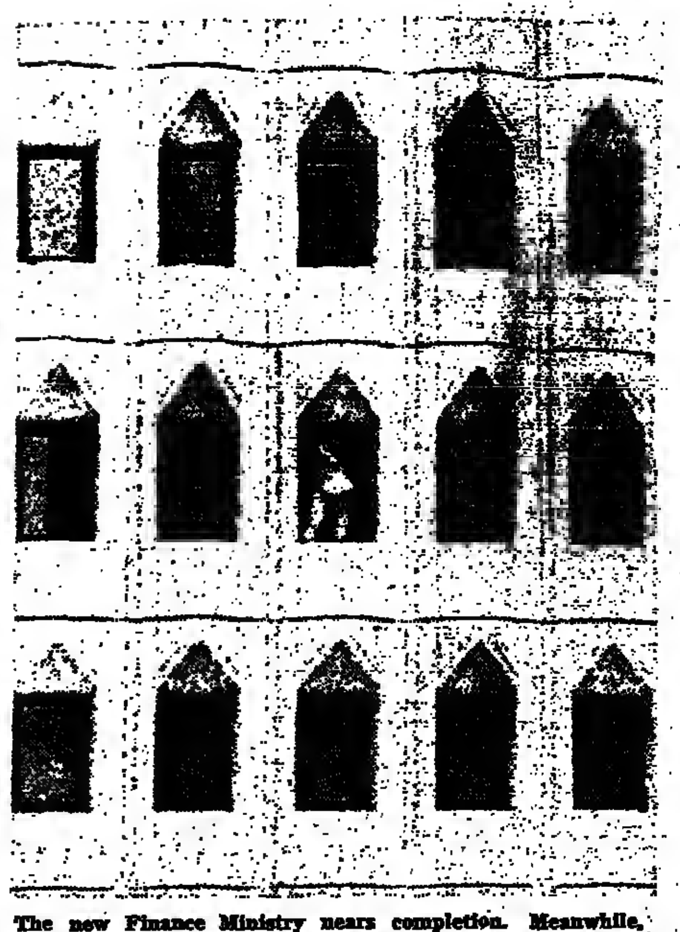
In electricity generation the four-year investment plan calls for the spending of BD 224.6m and a boosting of installed power capacity to nearly 2,000 MW by the year 1990. In water desalination a contract for a reverse osmosis plant has recently been awarded to a Japanese firm.

As with all major construction projects in the Gulf area, there is considerable backroom manoeuvring before contracts are awarded. Foreign business circles are still trying to assess whether price or the importance of one's sponsor is the key to success, for there bave been a number of occasions when contracts bave been continuously re-tendered until the right name, or the right price, has emerged. Local businessmen on occasions have resented the dominance of prominent personalities in securing contracts.

The development of contracting politics has been relatively recent in Bahrain. Business circles suggest that it stems from the reletive recession that has come to the market since 1979.

However, it is still possible to enter Bahrain, maintain high nrofessional standards, qnote low prices and get the job, normally and ebove board, without any backstairs juggling. At the moment there is enough work for everyone and it is sbared around more or less to the satisfaction of all.

Kathy Evans



The new Finance Ministry nears completion. Meanwhile, local constructors are jockeying for contracts on around 30 office blocks and governmental buildings

Gulf Air joins fares scramble

AFTER YEARS of battling against airlines which give discounts on their fares, Gulf Air has decided to join the scramble to protect its market share.

The decision comes after years of public condemnations and conference resolutions aimed at protecting the Middle East carriers from airlines with fifth freedom traffic rights. These entitle them to carry passengers between cities that are not in their own countries. At times, Gulf Air conducted the battle virtually single handed, for Arab carriers were also indulging in discounting tactics to scoop up part of the lucrative market in the Gulf region.

In the past 10 years, as Western nations went into recession, many carriers previously making technical stops in the Middle East secured traffic rights in order to tap the one market which was showing phenomenal growth.

Their entry into the Gulf occurred at a time when and governments in the Gulf were busily constructing their own status symbol airports.

The result was a proliferation of airports in the region, all eager to sign up new customers to justify their existence.

International airlines, particularly those operating from Europe to the Far East, were enthusiastic about the opportunities the market offered.

Protection

Ali Ibrahim al Malki, chief executive of Gulf Air, says the sheer quantity of seats now offered to Gulf travellers has eroded the natural market share of the region's national carrier. "We only have 25 per cent of our rightful market—we believe we are entitled to at least 50 per cent."

He estimates that eight seats are on offer for every seat eventually filled by a passenger, a situation which he believes is ludicrous and should end.

Gulf Air has been trying for years to end the "open skies" policies followed by some of its four shareholder states—Bahrain, Qatar, the United Arab Emirates and Oman.

A number of the airports pursuing such policies, particularly those in the UAE, are likely to try to protect their business. However, the growing strength of the Gulf Co-operation Council and the unity it promotes could wield a powerful stick over the interests of individual airports.

Gulf Air executives explain that while closing the skies to fifth freedom operators could represent a temporary loss of business for airports in the area, the airlines will have to continue to make technical stops anyway. Beirut is still not a safe alternative, and Tehran's Mehrabad airport dropped off the international airline map at the time of the revolution.

Malki believes that the net loss of business in the end would probably be only 30 per cent, and this gap would be gradually filled by Gulf Air with increased frequencies. In five years, with netural traffic growth, the impact of such e move on the airports' business might be negligible, and for Gulf Air, the bonus of protection would ensure its continued profitability.

But until such moves are decided upon by the governments which own Gulf Air, the airline is forced to adopt the discounting meesures it has been for so long condemning.

Nicolas Moudarri, the airline's commercial general manager, says the discounts will depend on seat availability and the strength of the carrier in each particular market. "We will leave a lot to the discretion of our local marketing managers. We will match the discounts when it suits us."

At first the discounts will be available only from Dubai and Abu Dhabi, where price-cutting by other operators has eeverely eroded Gulf Air's market share. However, it is difficult to see how the airline will be able to ward off pressure from Bahraini travel agents for similar discounts when cheaper fares are available in the UAE.

The reluctant plunge into the discount ticket market comes at e time when Gulf Air faces a major face lift in its fleet. At present the airline has nine Boeing 737s and nine TriStars, and in the next few years, up to the onset of the 1990's, it expects to order an additional 16 to 17 aircraft.

Malki explains that such purchases are necessary to keep up with the high growth rates that the airline is still experiencing. Although growth has tailed off from the phenomenal rates of 30 to 40 per cent a year in the 1970s, it is still running at a steady 8 per cent a year.

The purchases are likely to be financed partly out of profits, and partly from manufacturers' credits and the banks. "We have the ability to borrow from the banks, even quite large credits" says the chief executive, though it is likely that the airline will be putting up as much as half of the cost of the purchases in cash.

This time, also, the airline has outlawed middlemen. The last time Gulf Air bought a number of American aircraft, there was a spate of reports of huge commissions being paid to influential agents, and Malki says he is anxious to avoid a recurrence of such payments.

Gulf Air says the decision on what it is to buy will not be made until the end of this year, but that it is currently looking at Boeing 767s, the Airbus and the McDonnell Douglas Super 80.

The planning of the future fleet is naturally dependent on the destinations which the airline will attempt to serve in the next few years, and the current thinking on this appears concentrated on consolidating the network in the Arab world.

At present, the airline has no set date mapped out for a New York routing. A U.S. service has not tempted the management yet, although its fellow management in Saudi, Kuwait Airways, MEA and Alia all run services into the States. "No-one makes money on that New York route," said Malki firmly.

Future destinations are therefore much closer to home. First on the agenda is Rawalpindi in Pakistan, which for Gulf Air represents the greatest potential of all. However, such plans have been blocked by a refusal by the Pakistani Government to grant traffic rights.

Diversions

The Asian sub-continent is by far the most prolific market for the airline. Gulf Air currently operates 30 TriStar flights to India e week, 21 flights weekly to Karachi and four to Colombo in Sri Lanka. Management executives believe this traffic, which consists mainly of labourers, could begin to tail off as the number of construction projects in the Gulf area is cut back because of the fall in oil revenues.

When this bappens, these flights will be diverted to Arab destinations such as Khartoum, Beirut, Damascus and Sanaa, which currently are not served by the airline.

The prestigious London route is now being served by three daily flights, but only breaks even in terms of profitability. The routes to India and Pakistan are averaging load fectors of 60 to 70 per cent, some of the highest in the world.

Cargo traffic continues to notch up new records. The volume of cargo is currently running at 3.5m kilos monthly, says Ralph Townsend, cargo sales superintendent. However, because of the lack of return loads, the airline has been deterred from purchasing a freighter aircraft. Cargo traffic is now accounting for some 10 per cent to 15 per cent of total revenue a year, despite the decline in the value of the pound sterling and the Indian rupee.

In the longer term the future of Gulf Air is likely to be closely bound up with the other carriers of the GCC States, namely Saudie and Kuwait Airways. Already resolutions have been made on collective purchase arrangements, more joint services, catering and ground services. The near future is likely to see the establishment of a joint civil aviation authority. There has been some consideration given to the establishment of a joint cargo carrier, which Gulf Air's Malki believes could be one of the largest cargo carriers in the world. However, such developments will have to await the fate of the fifth freedom carriers in the Gulf area, for at the moment the proliferation of passenger services is matched by a proliferation of cargo airlines.

K. E.

Heavy oil conversion plant leads diversification projects

IN BAHRAIN over the next five years some $2.5bn worth of new industrial projects are scheduled for completion. As yet there are no signs of major cutbacks in the investment programme, either from the Bahrain Government side or from its partners in Saudi Arabia and Kuwait, who are underwriting much of the cost. Projects may, however, be spread over a longer period of time.

The biggest new project will be owned by the Heavy Oil Conversion Company (HOCC), and will operate in association with Bahrain's existing refinery. The scheme owes its birth to its shareholders' realisation that the application of the most advanced technology to the oil industry has become a priority if Gulf producers are to hold their own in world markets.

After examining a wide range of alternatives, the Lummus process engineering company of the United States has just completed a feasibility study for an 80,000 barrels a day hydrocracking unit, which will convert residual fuel oil into lighter, higher value products. The project will be considered by HOCC's board of directors on July 18. The consultant's report will then be presented to the industry ministers of the three shareholding states, Bahrain, Saudi Arabia and Kuwait, who are confidently expected to meet in September to give the go-ahead.

Every year's delay puts up the price: today, the processing plant and ancillary marine installations would probably cost just over $1.5bn, but inflation might boost this to at least $1.8bn for a 1985-88 construction period—the earliest for which design work and contract specifications could be ready.

NEW INDUSTRIAL PROJECTS

Name of Company	Owners	Approx cost	Construction	Product
Gulf Petrochemical Industries Company (GPIC)	Bah/Kuw/Saudi equally	$400m	1981-84	ammonia/methanol 350,000 tpy each
Arab Iron and Steel Company (AISCO)	Arab Mining Co. & Gulf investors	$300m	1982-84	iron pellets 4m tpy
Gulf Aluminium Rolling Mill Company (GARMCO)	Bah/Kuw/Saudi/Iraq/Qatar/Oman	$200m	1983-85?	alum. sheet, coil, foil stock 40,000 tpy
Heavy Oil Conversion Company (HOCC)	Bah 40% Kuw/Saudi 30% each	$1.8bn?	1985-88?	light distillates from fuel oil 80,000 b/d
Bahrain Light Industries Company (BLICO)	Gulf Investment Co. 48%, other Gulf investors	$8.5m	1982-83	wooden and upholst. furniture, doors, window frames etc.
Gulf Acid Industries	3 Bahraini businessmen	$2.5m	1983-84?	sulphuric acid 9,000 tpy

Chart compiled by Mary Frings.

Contribution

Some oilmen have doubts about the economics of shipping to Bahrain feedstock by tanker to top up the supplies of fuel oil available in the country. Although each government is committed to providing its share, Saudi Arabia has no suitable feedstock from its own sources and Bahrain will probably have to buy some oil on the open market in order to provide its 40 per cent contribution, even if the refinery operates at low throughput levels.

HOCC plans to employ about 800 people, of whom 80 per cent would normally be recruited abroad; but refinery cutbacks could make more experienced process operators available locally. HOCC might share with Bapco housing, medical and computer services.

On May 11 doubts were cleared up on another diversification project — the long discussed Gulf Aluminium Rolling Mill Company (GARMCO). A letter of intent was signed to award a $200m construction contract to Kobe Steel of Japan. GARMCO will be associated with the Aluminium Bahrain (ALBA) smelter.

The award of the GARMCO contract had been scheduled for March 1, but at the height of the oil price debate, which raged at that time, a senior Bahraini official spoke of the feasibility of the project being re-assessed. It would not have been surprising if one or two of the shareholders (Bahrain, Kuwait, Saudi Arabia, Iraq, Qatar and Oman) had felt reluctant to go ahead on the basis of the long-range market forecasts produced by the Gulf Organisation for Industrial Consulting (GOIC), which had promoted this first exercise in pan-Gulf industrial co-operation.

On GOIC's projections, GARMCO's 40,000 tonnes a year hot and cold rolling mill could supply as much as 40-50 per cent of regional demand for aluminium building sheet, foil stock and general coil and flat products. But the very existence of such a plant is expected to boost the market, because it is reasoned that local manufacturers will exploit the downstream opportunities, ranging from kitchen utensils to truck bodies and from soft drink cans to curtain walling.

In November last year Lloyds Bank International was appointed financial consultant to GARMCO. Project consultant is Kaiser Engineering Services, which will supervise all aspects of the turnkey construction contract. This will include the supply of technology and the training of operating personnel.

Construction of the Gulf Petrochemical Industries (GPIC) ammonia and methanol plant is proceeding on schedule for commissioning in 1985. The site has been reclaimed from the sea and was handed over to the Italian main contractor, Snamprogetti, in April last year. Civil and mechanical work has been sub-contracted to SAIPEM, which like Snamprogetti is a subsidiary of the Italian state-owned ENI oil corporation. Other sub-contractors include Wimpey Laboratories (soil investigation), GKN (foundation work using vibro-floating) and a local civil contractor, Ahmed Mansor Al A'ali.

GPIC has established a procurement office in Milan, to work in close consultation with Snamprogretti which is supplying equipment for the plant on a cost-reimbursible basis, and with Uhde of West Germany which is supplying technology under licence.

Orders have been placed for most of the long-delivery items and a sum of $65m (out of a possible $200m) has now been committed.

Experience

The largest single order, worth $10.5m, has been won by Britain's Motherwell Bridge for the supply of ammonia and methanol storage tanks, and Barclays Bank International has negotiated an ECGD credit line of up to $20m. Export credit facilities have also been made available on orders to manufacturers in Germany, Japan, Italy and Holland. All equipment orders should have been placed by the end of the year, and the first deliveries are scheduled to arrive on site for early 1984.

Dr Tawfeeq Almoayed, chairman and managing director of GPIC, heads a three-man committee set up to devise a marketing strategy. Its members are Abdul-Bakr Naimi, chairman of Kuwait's Petrochemical Industries Company (PIC) and Abdul-Aziz Al Zamil, vice-chairman and chief executive of the Saudi Basic Industries Corporation (SABIC). Both Saudi Arabia and Kuwait have experience of the ammonia market, while SABIC has experience of methanol.

World petrochemical prices are currently low, but even so they are above those assumed in studies to determine the commercial viability of the plant. Despite the number of new petrochemical projects coming on stream in the Gulf, Dr Almoayed points out that by 1985 they will still be producing only 7 per cent of the world's total requirement.

"I think we will be able to stand competition," he says. "The deciding factors are cost of feedstock, freight charges and management efficiency. The first is no problem in the Gulf and we will try to achieve the third; we can keep freight charges down by co-ordinating shipments among ourselves, so that vessels never leave the Gulf with less than a full load."

The Arab Iron and Steel Company (AISCO) is also making progress on its iron ore pelletising project. Reclamation of 1.2m square metres of land for the project east of the Arabian Ship Repair Yard (ASRY) dry dock is now 80 per cent complete.

It forms a new industrial island bigger than the shipyard itself. The plant site has already been turned over to Kobe Steel, which has a $207m turnkey construction contract, and a start has been made on concrete foundations by the sub-contractor, Balfour Beatty, which has completed most of the piling for a deepwater jetty to berth bulk carriers of up to 100,000 dwt.

The $41m jetty sub-contract is the subject of litigation by another British firm, John Howard, which previously received a letter of intent and reportedly mobilised materials and equipment on the strength of it. According to AISCO, the deal came to grief over negotiation of a supervision fee for Kobe.

AISCO will use the grate-kiln system to transform iron ore fines into the hard but porous pellets which meet the requirements of the HYL and Midrex reduction processes. But existing reduction plants in the region (in Saudi Arabia, Qatar and Iraq) could consume only about half of AISCO's planned pellet output of 4m tonnes a year, even if the product is competitive on a world-wide basis and the company can make inroads on established market shares.

Backing

Other regional steel projects are in the pipeline, and the 1985 demand for iron and steel finished products is put at 17m tonnes a year; but unless AISCO can find the financial backing to implement its own 2m tonnes a year direct reduction project (which looks increasingly doubtful without heavy government support), it will be dependent for some years on exporting outside the region.

It is this thought which has given rise to some doubt as to whether the advantage of cheap energy will compensate for high construction and labour costs and the expense of shipping in raw material and shipping out product to distant destinations.

A number of Kuwaiti private sector investors are putting their money into AISCO, as are the government-backed Arab Mining Company and the Kuwait Foreign Trading Contracting and Investment Company. Bahrain's state social security organisation has a small stake, as do the three Bahraini national banks.

While the Bahrain Government gives encouragement to small-scale private enterprise of the type represented by Gulf Acid Industries, whose $2.5m factory is to be built under the supervision of Simon Carves of India, it has had to weigh in more heavily on the side of the Bahrain Light Industries Company (BLICO) which had considerable difficulty in raising private capital to finance its $8m furniture factory.

The major shareholders, as a result of official persuasion, are Gulf Investment Company EC (48 per cent), the General Organisation for Social Insurance (15 per cent) and the National Bank of Bahrain (11 per cent).

In September 1981 BLICO signed a relending agreement with the Government of Bahrain to make available a $5.4m soft loan from the Abu Dhabi Fund for Arab Economic Development. And in February this year, in conjunction with the signing of a contract for the supply of woodworking machinery with the Italian company SCM International, the company was granted on extremely favourable terms a BD 1m loan from the National Bank of Bahrain to finance letters of credit.

A $3.5m civil construction contract has been awarded to the local contractor Mohammad Jalal, the $5.3m package from SCM includes commissioning of the plant, management assistance and training of personnel. Hamad Abul, its chairman, says the furniture factory—the first of several projects to be undertaken by BLICO—will be in production by the end of the year and will look for a turnover of $27m a year when it reaches full capacity in 1986. However, breakeven point could be reached a year earlier, at 45 per cent of capacity.

Mary Frings

Arab Shipbuilding and Repair Yard reducing losses

Building up a solid reputation

THE OPENING this month of Dubai's 1.85m dwt ship repair complex, following the appointment of A. and P. Appledore as operating company, does not frighten the Arab Shipbuilding and Repair Yard (ASRY) in Bahrain.

The three Duhai docks have lain idla for four years since their completion, while the Bahrain dock, owned by tha *Organisation of Arab Exporting* Countries (Opec), has been building up a reputation for skill and good workmanship under the management of Lisnave of Portugal, one of the most experienced very large crude carriers (VLCC) repairer in the world. "I think Dubai has many more reasons to be afraid of us," says Antonio Machado Lopes, the general manager of ASRY.

It is true that the advantages of a location at the centre of major tanker routes (where vessels arrive gas-free after a long ballast haul), and an ideal climate for hull treatment, will be shared by Dubai; that the Dubai yard is lavishly equipped and that Thorsten Andersson, the Swede appointed by A. and P. Appledore to run it, enjoys a high reputation. "I respect him," says Mr Machado Lopes, "but life will not be easy for him. A shipyard is thousands of people. It takes a long time to build up a real company with local input — and without that, where is the human benefit for the country? We have a competent 65 per cent Arab workforce, backed up by management and technical expertise from Lisnave, and we can offer quality, service and price."

Dubai, in his view, will be "just one more shipyard to fight" in a market where there are already too many shipyards hasing too little work. Nevertheless ha wishes it success because be believes the presence of a second VLCC yard will enhance the reputation of the Gulf as a shiprepair centre. If Dubai fails, "the Gulf will lose tremendously." If it makes inroads on ASRY's hard-won market, "we will take ships from someone else in the world."

Mr Machado Lopes concedes that, initially, the news that Dubai had at last signed up an operating company and was going ahead was a shock to some ASRY people.

Now they are interested to aee bow it will perform and determined to improve efficiency at ASRY.

Steadily declining world demand for oil, surplus of tonnage, depressed charter rates and high fuel costs made 1982 another difficult year for the tanker market. VLCC activity was affected worse than medium size tanker business and owner were keeping spending to a minimum and postponing repair work wherever possible.

Against this background and in the face of tough competition from ship repairers worldwide, ASRY did well to maintain drydock occupancy at 89 per cent. Numbers of vessels are less relevant than the scope of repair work, but for the record 49 (including 20 VLCCs) entered the drydock and another 24 were repaired alongside, representing a total of 8.9m dwt.

Improvement

ASRY did not make a profit in 1982 and indeed has yet to break even, but losses were significantly reduced, following an improvement in 1981 on the $9.7m deficit revealed by OAPEC for 1980.

Revenue grew 5 per cent over 1981, from $29m to $31m, but the management feels a five-year comparison gives a better indication of the shipyard's development. In 1978, ASRY bad 1,130 employees (excluding trainees) and earned $14m—a net revenue of $12,434 per employee. In 1982 it had 1,150 and net revenue per employee of $30,598.

Due both to the increase in ASRY's capability and to the ageing of the tanker fleet, the average valua of individual repairs has been rising year by year since the yard was opened at the end of 1977. Early in 1982 the company won a repair order worth over $5m, for fuel-saving modifications to five Ultra Large Crude Carriers (ULCC)s), each over 350,000 dwt. More recently, 200 tonnes of bull plating was renewed on the Kuwaiti-owned Ras al Zour, after it ran aground in the Gulf.

Whila oil producers struggled earlier this year to find a viable price level for crude in a glutted market, tanker movements almost stopped. The first three months of 1983 saw smaller ships in the yard and a reduction in work content.

But business improved from the second half of April and ASRY is now fully booked until the middle of June, with some provisional orders to the end of August. The year as a whole is not expected to be worse than 1982, and at least a few of the 100 or so tankers anchored outside the Gulf for the past year must be needing repair before they can load.

To help its position ASRY has implemented a stringent cost-cutting programme, and service and section heads are called in for quarterly briefings on the revenue-expenditure situation so that the workforce knows exactly what is going on.

"There is no question of reducing manpower," says Mr Machado Lopes. "That would be very dangerous. We are known in the world for repairing VLCCs and we are committed to a certain capacity. We are not touching training (which has a $2m budget) or salaries; but we are cutting down on everything else—even on air-conditioning. We are paying half as much for electricity as in 1981. As far as employee benefits go, we have never been rich so we are not spoilt; we do not change cars every couple of years—all our cars are six or seven years old. I am confident of saving at least 30 per cent on budgeted expenditure."

Design for a shore-based tank cleaning station is going ahead, but plans for extensions to the jetties, an additional pler and a small second drydock have been put on ice. This is not the time to increase capacity on tha shipping side, it is felt.

The company is still making strenuous efforts to find landwork for its extensiva fabrication sbops. Negotiations are well advanced for $2.8m worth of steel fabrication orders from two Gulf companies, but if governments were to insist on a proportion of steelwork contracts for public sector construction contracts going to regional fabricators, available capacity all round the Gulf would be better utilised.

Keeping their men employed has been the major concern of the two smaller shipyards in Bahrain, which are competing for the available business with more than two dozen other repairers of tugs, barges and supply boats around the Gulf. The first quarter of the year was poor and although business picked up in April they do not bave a great deal of forward workload.

ASRY did well last year to maintain dry dock occupancy at 89 per cent. Here a Kuwaiti tanker undergoes repairs

Exceptional

In a determined bid to hold on to its market share, Bahrain Ship Repairing and Engineering Company (Basrec) has invested in a 120 metre x 22.5 metre floating dock, which will go into service in July and lift the yard's capacity from 1,000 to 3,500 net tonnes.

Basrec will not have "in-bouse" customers for its floating dock, as does Qatar Navigation. But oil rig supply vessels coming into the area are getting bigger and heavier, and the general manager, Mr Eric Cockerill, reports "a lot of interest" in the potential of the new dock, which was hought from Tristar Marine in Sharjah. Built in 1977, the dock has been used only five times, and never commercially.

Results for 1982 were "satisfactory," says Mr Cockerill.

In fact, after exceptional expenditure of $560,000 on slipway repairs and $240,000 on consultancy fees, the year's profit at $2.6m was ahead of the $2.5m achieved in 1981, and the company paid a 35 per cent dividend. It was on the point of investing some $9m in building an additional slipway of 2,000 tonne capacity (bence the consultancy fees) when the purchase of the floating dock became a more attractive proposition.

The other small shipyard, the privately-owned Babrain Slipway Company, admits to a "small loss" in 1982, a year of reorganisation which saw the workforce cut from 309 to 248 plus 12 apprentices. Although slipway utilisation improved from 57 per cent to 62 per cent, revenue was sharply down on 1981 and 20 per cent below budget. The general manager, Mr Lyall Craig, sees 1983 as another year of austerity, in which everyone in the ship repair business will be concentrating on cost-efficiency and debt collection. Nevertheless, he believes Bahrain Slipway is now in better shape to meet the competition and go for a strong recovery.

Mary Frings

Cautious optimism in aluminium sector

THE SOMBRE mood of aluminium producers and manufacturers last year has given way to cautious optimism, and traders are smiling broadly over a 30-40 per cent improvement in metal prices since the beginning of 1983. Bahrain's aluminium industry has come through its second recession leaner but intact.

Kaiser Aluminium and Breton Investments, who are 17 per cent and 5 per cent shareholders in the 170,000 tonnes (mt) a year ALBA smelter, bad troubles elsewhere in tha world and must have taken a long hard look at their investment in Bahrain, particularly since majority government ownership (Bahrain 58 per cent and Saudi Arabia 20 per cent) made ALBA less responsive to short-term commercial considerations than producers in Europe and Japan.

With metal prices at rock bottom. ALBA continued to operate to capacity and to provide its shareholders with ingots which could only be sold at below cost, despite the management's success in increasing efficiency and cutting down on expensive expatriate manpower.

Pessimistic

The two governments' 133,000 mt share of ALBA production is marketed by a company known as BALCO—formerly the Babrain Aluminium Marketing Company and now the Bahrain-Saudi Aluminium Marketing Company. The firm made a loss of $22.2m in 1982. Its trading position was already $16.4m in the red at mid-year, but the forecast of a $30m deficit by year-end proved to be unduly pessimistic. Tha final figure was calculated after payment of $6.9m in interest on the stockpile, and a $7.6m provision for unrealised depreciation in the value of stock.

Sales roughly kept pace with production, since a decision was taken at the end of 1981 not to increase the stockpila beyond the 62,000-64,000 mt of undestined metal then beld, plus regular "working stock" of some 15,000 mt. Unfortunataly this meant selling at prices below the level at which BALCO previously stockpiled.

If demand accelerates, a substantial drawdown of stock will be seen this year.

BALCO's most important *customers in the Middle East*, which accounted for 25 per cent of sales, are tha closest to the smelter: Midal Cables and the Bahrain Aluminium Extrusion Company, BALEXCO. But over 60 per cent of BALCO's deliveries went to the Far East, principally Japan which has closed down much of its own smelting capacity because of high energy costs.

Together with small consignments to South East Asia, the Indian sub-continent, Australasia and Europe, BALCO counted 121 customers in 22 countries last year, and may see a resumption of exports to the U.S. by the end of 1983.

Mr Faisal Ali Mirza, the recently appointed Bahraini general manager, has ridden the roller-coaster of the metal markets for nearly eight years and is far too experienced to fall into the trap of overconfidence at the first sign of an npturn. But the first few months of 1983 are looking good and BALCO is likely to be back in profit at year-end.

Increased billet capacity at ALBA should be on stream by October giving BALCO a higger percentage of premium product, and there are modest future prospects in the powder market which might encourage the Bahrain Government to go for added value on some of its primary metal, by utilising spare capacity at Bahrain Atomisers International, in which it is a 51 per cent shareholder.

Its partner in the atomiser is Eckhard Werke of West Germany, which is also represented in ALBA through Breton Investments. Eckhard Werke bas been running 3,000-3,500 mt of Breton metal through the atomiser with profitable results, despite a dip in powder prices.

ALBA's board of directors will consider a proposal on May 31st for plant modernisation requiring an investment of $25-$30m and offering a 10 per cent increase in metal production; together with reduced manpower, energy and raw material costs.

This is much less ambitious than the long-discussed waste heat recovery project, which would have produced *110,000* mt a year of additional metal and 5m gallons a day of desalinated water—but which has regretfully been put back on the shelf until advances in heat recovery technology make it economically more attractive.

Mr Gudvin Tofte, the general manager of ALBA, is enthusiastic over the introduction of "state of the art" process technology, since a major benefit would be to improve the working environment of the potroom and cut the number of men employed there by 35-40 per cent.

The modifications would inclnde installing boods over the pots, the collection and scrubbing of gases from the smelting process, and computerised alumina feed control. The smoke from the kiln stack would also be cleaned up to meet more stringent pollution standards.

Working in a smelter is not the most comfortable job in Bahrain, but over 560 nationals have completed 10 years with ALBA and are increasingly moving into management posts, in operational areas as well as in administration. Today 76 per cent of the total workforce of 1,950 are Bahrainis.

Appointment

The privately-owned Midal Cables Company, a comparatively small employer with just over 100 on the payroll, is starting its Bahrainisation programme from the top downwards, with the appointment on May 1 of a power generation engineer, Mustafa Sayed Ali, as chief executive.

The $4m cable factory went into production in 1978 as a joint-venture between Zayani Investments of Bahrain and Olex Cables of Australia but the Olex shareholding was reduced to 20 per cent last year when Saudi Cables Company of Jeddah joined forces with Midal to combat fierce international competition in their regional market.

By working together, the two companies hope to rationalise their operation and cut costs, but Mr Hamed Zayani, the chairman of Midal, is also seeking protection for local industry and incentives ranging from reduced power costs to the kind of export finance and insurance schemes enjoyed by producers in Western Europe, Korea, India and the East European bloc.

He would like to see local products being given priority over imports in government projects throughont tha Gulf Co-operation Council states, and aid to developing countries in the form of manufactured goods—in short, cables instead of cash.

With a metal throughput of 18,000 to 20,000 mt a year, depending on the prodnct mix (rod, all aluminium condnctor and steel reinforced aluminium cable), Midal is not yet working to capacity bnt has managed to stay in profit. The company recently started drawing alloy rod into cable, and is now considering a fully integrated alloy operation and diversification into copper and insulated cable.

The government-owned extrusion company, BALEXCO, is also on the path to expansion, financed hy a BD 250,000 ($660,000) loan from the National Bank of Bahrain. This fairly modest investment will take advantage of the latest technology to reduce unit costs and increase capacity by up to 25 per cent, or from 4,800 mt to 6,000 mt a year of the normal product mix.

Tha Sandi market was reopened to BALEXCO from the beginning of last year, with the lifting of the 20 per cent tariff barrier against imported extrusions, and this contributed to a 25 per cent increase on production and a return to profitability after a loss in 1981.

But 1982 atarted with insufficient volume and a multiplicity of small orders; it was not until the latter half that business picked up sharply and monthly throughput climbed from 300 mt to 500 mt. The most significant growth was in Bahrain, which now absorbs 34 per cent of BALCO's output against the 28 per cent exported to Saudi Arabia.

While the high level of construction activity may tail off, at present local fabricating and assembly workshops are busily employed and BALEXCO has full order books. General manager Derek Peden reckons the company is saving Bahrain an annual $4m in imports, apart from its foreign currency earnings of over $9m.

M. F.